



# **Study on consumers' decision** making in insurance services: a behavioural economics perspective

Final report – Country fiches

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**Study on consumers' decision making in insurance services: a behavioural economics perspective - Final report – Country fiches**

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# Country fiches

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# 1. Country Report: France

## 1.1. Non-life insurance market

### 1.1.1. Non-life insurance

#### *Overview of the national market*

In 2013, France was the third country in Europe in terms of largest number of insurance companies with 395 companies, representing 7.4% of the European market share<sup>1</sup> among which 212 non-life insurance companies<sup>2</sup>. The total insurance revenues were composed of 89.7% non-life and 10.3% life insurance premiums in 2015. The total revenues of non-life insurance increased year-on-year since 2011, reaching 96,560 million EUR in 2015. The total revenues for non-life insurance via FPS increased more slowly, from 450 million EUR in 2011 to 510 million EUR in 2015. The main components of non-life insurance are health/physical injury, motor insurance and property insurance, representing together 91% of the non-life revenues<sup>3</sup>. The total revenues of non-life insurance excluding health/physical injury amounted to 52,300 million EUR in 2015<sup>4</sup>. In 2013, 2,912 million EUR of premiums have been written in France by branches of foreign companies (EU and non-EU) in France<sup>5</sup>.

Market concentration has increased in the past years mainly due to mergers and acquisitions. For instance, in 2014 BNP Paribas Cardif acquired Icare<sup>6</sup>, specialised in motor insurance and in 2015 AXA acquired Genworth LPI, specialised in loan insurance<sup>7</sup>. Between 2011 and 2015, the number of non-life insurance companies decreased by 33 units<sup>8</sup>. In 2015, there were 160 non-life insurance providers and 85 mixed (life and non-life) insurance providers<sup>9</sup>. The non-life insurance is less concentrated than the life insurance market, and market concentration is less substantial for motor or household insurance than for transport or construction insurance<sup>10</sup>.

The table below presents the first non-life insurance groups in France in 2013.

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<sup>1</sup> Insurance Europe, 2014, Statistics No 50. Available at:

<http://www.insuranceeurope.eu/sites/default/files/attachments/StatisticsNo50EuropeanInsuranceinFigures.pdf>. **There was no such information on France's market share in the EU for more recent years.**

<sup>2</sup> ACPR, 2014, Figures of the French market for banks and insurance. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/rapports-annuels/20151007\\_Rapport\\_chiffre\\_2014\\_Assurances.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/rapports-annuels/20151007_Rapport_chiffre_2014_Assurances.pdf)

<sup>3</sup> ACPR, 2015, Situation of insurance companies 2015. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/analyses-syntheses/20160825-AS72-La-situation-des-principaux-organismes-dassurance-en-2015.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/analyses-syntheses/20160825-AS72-La-situation-des-principaux-organismes-dassurance-en-2015.pdf)

<sup>4</sup> FFA, 2015, Insurance Scoreboard. Available at: <http://www.ffa-assurance.fr/file/865/download?token=g4EYG0av>

<sup>5</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

<sup>6</sup> Fusacq.com, 2014, BNP PARIBAS CARDIF acquiert 100% d'ICARE. Available at: <http://www.fusacq.com/buzz/bnp-paribas-cardif-acquiert-100-d-icare-a86853.html>

<sup>7</sup> Fusacq.com, 2015, AXA: acquisition de GENWORTH LPI finalisée. Available at: <http://www.fusacq.com/buzz/axa-acquisition-de-genworth-lpi-finalisee-a109590.html>

<sup>8</sup> ACPR, 2015, Insurance Data. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/rapports-annuels/20161020-series-rapport-chiffres-assurance-2015.xlsx](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/rapports-annuels/20161020-series-rapport-chiffres-assurance-2015.xlsx)

<sup>9</sup> ACPR, 2015, Situation of insurance companies 2015. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/analyses-syntheses/20160825-AS72-La-situation-des-principaux-organismes-dassurance-en-2015.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/analyses-syntheses/20160825-AS72-La-situation-des-principaux-organismes-dassurance-en-2015.pdf)

<sup>10</sup> ACPR, 2015, La situation des principaux organismes d'assurance. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/analyses-syntheses/20160825-AS72-La-situation-des-principaux-organismes-dassurance-en-2015.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/analyses-syntheses/20160825-AS72-La-situation-des-principaux-organismes-dassurance-en-2015.pdf)



Table 1 : Ten first insurance groups in France in 2013

Company	Non-life Premiums (Million EUR)
Covéa (MAAF, MMA, GMF)	10,000
GROUPAMA	8,000
SFEREN	8,000
Allianz France	6,400
AXA	5,800
GENERALI France	4,100
Crédit Mutuel	3,000
Groupe Crédit Agricole Assurance	2,600
BNP Paribas Cardif	900

Source: FFA, 2013, Insurance scoreboard

The first 3 non-life insurance companies in 2014 were, in decreasing order, AXA (10,658 million EUR), COVEA (9,939 million EUR) and GROUPAMA (9,549 million EUR). In 2014, the top 5 companies represented 56% of the non-life insurance market premiums, the top 10 represented 75% and the top 15 accounted for 87%<sup>11</sup>.

Non-life penetration<sup>12</sup> has remained stable between 2011 and 2014, only increasing from 2.6% to 2.7% (excluding health) and from 3.1% to 3.2% (including health)<sup>13</sup>.

Table 2 in Annex I displays the latest available statistics on non-life insurance density. It shows a steady increase in the amount of insurance premiums purchased per insured individual. When taking account of the average yearly inflation, non-life density (excluding health and including health) has not increased as much as inflation in 2012 and 2013 but has risen above inflation in 2014<sup>14</sup>.

The national supervisory authority is the Autorité de contrôle prudentiel et de résolution (ACPR), whose competences are defined in Article L.612-1 of the Monetary and Financial Code<sup>15</sup>. The ACPR is an independent administrative authority with power of control and sanction over the financial and insurance sectors.

In France, all insurance professionals are subject to the Insurance Code<sup>16</sup>, bringing together all successive laws and regulations in this field and defining the rules for insurers as well as the relations between insurers and insured persons. Article R112-1 specifies

<sup>11</sup> Insurance Europe, 2016, Structural Data. Available at: [http://www.insuranceeurope.eu/sites/default/files/assets/Structural\\_Data.xlsm](http://www.insuranceeurope.eu/sites/default/files/assets/Structural_Data.xlsm)

<sup>12</sup> Ratio of non-life premiums to GDP

<sup>13</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

<sup>14</sup> France-Inflation.com

<sup>15</sup> Code Monétaire et Financier. Available at: <https://www.legifrance.gouv.fr/affichCodeArticle.do?idArticle=LEGIARTI000028636176&cidTexte=LEGITEXT000006072026&dateTexte=20140901&oldAction=rechCodeArticle&fastReqId=1023631544&nbResultRech=1>

<sup>16</sup> Code des Assurances. Available at: <https://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006073984>

the compulsory information to indicate on an insurance policy (duration, conditions of tacit renewal, conditions for extension or termination of the contract, obligations of the consumers in terms of risk declaration, modalities for declaring a claim, period to receive claim compensation) but does not apply to travel insurance<sup>17</sup>. In line with Article L112-2 of the Insurance Code, the insurer has an obligation to inform and advise the customer, by providing an information notice on the price and the covered risks before the conclusion of the contract, and by explaining **the claimants' obligations and** how complaints will be handled.

The Insurance Code stipulates the obligation to subscribe to a motor third party liability insurance, whose civil liability guarantee must be extended to the other EU Member States. The Insurance Code also includes the obligation to subscribe to a household insurance for tenants covering rental risks (damage caused by fire, explosion or water).

Law 2005-67 of 28 January 2005 aiming at enhancing trust and consumer protection<sup>18</sup> (whose provisions are included in Article L. 113-15 of the Insurance Code) introduces the obligation for a service supplier to inform the consumer 3 months at the earliest and 15 days at the latest before the termination of his/her contract about the possibility to renew the contract with an automatic renewable clause. If the consumer has not received such information, she/he can terminate the contract without costs at any time after the renewal.

Law 2008-3 of 3 January 2008 for the development of competition to favour consumers<sup>19</sup> (**also referred to as "Chatel Law"**, whose provisions are included in Article L112-9 of the Insurance Code) allows consumers who signed an insurance contract to cancel the contract within 14 days after its signature, without justification or extra costs. The law specifies that this clause is not applicable to life-insurance, travel and luggage<sup>20</sup> insurance and to insurance concluded for less than a 1-month period.

Law 2014-344 of 17 March 2014 related to Consumption<sup>21</sup> (**so called "Hamon Law"**) brings new provisions to the Insurance Code. Article 38 of the Hamon Law (=Article L112-10 of the Insurance Code) enables consumers subscribing to an add-on insurance contract to terminate the contract within 14 days from its signature without costs if they justify that they are already covered for the same risks. Before the signature of a contract, the insurer must encourage the consumer to check that she/he is not ensured against the same risks and inform him/her about this early termination clause. This article covers risks linked to the bad functioning, loss, theft or damaging of a good, or the risks related to a travel, including damage, loss or theft of luggage.

Article 61 of the Hamon Law (=Article L113-15-2 of the Insurance Code) stipulates that after a subscription of one year, a consumer can decide to terminate the contract whenever she/he decides, including tacitly renewed contracts. The effective contract termination takes effect one month after notification by letter of the insured to the insurer. For motor third party liability and household insurance, the new insurer is in charge of the procedure **for the termination of the consumer's earlier contract, in order to ensure the continuity of the consumer protection.**

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<sup>17</sup> They neither apply to insurance contracts covering risks linked to holiday, camping, winter sports and travel, subscribed for maximum 3 months and non-renewable, nor to luggage coverage valid for one trip, when the contract enters into force maximum 48 hours after the insurance offer.

<sup>18</sup> Loi n° 2005-67 du 28 janvier 2005 tendant à conforter la confiance et la protection du consommateur. Available at:

<https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000000606011&categorieLien=id>

<sup>19</sup> Loi n° 2008-3 du 3 janvier 2008 pour le développement de la concurrence au service des consommateurs. Available at: <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000017785995>

<sup>20</sup> Literal quotation from Article L112-9. This suggests that French law distinguishes between coverage of goods (luggage cover) and coverage of persons (risks linked to holiday, winter sports, travel) within the broader travel insurance sector

<sup>21</sup> Loi n° 2014-344 du 17 mars 2014 relative à la consommation. Available at:

<https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028738036&categorieLien=id>

The Decree 2016-505 of 22 April 2016 related to information obligations on comparison websites<sup>22</sup>, which entered into force on 1<sup>st</sup> July 2016 and introduced new provisions in Article D111 of the Consumption Code<sup>23</sup>, aims at enhancing the transparency of comparison websites. Such websites must indicate the criteria of comparison, the existence of contractual links with referenced companies, the existence of a remuneration of the website, the variability of guarantees of the proposed products, the exhaustive nature of the compared products and the frequency of the comparison update.

According to Article L2012-1 of the Insurance Code, the Tarification Bureau<sup>24</sup> is in charge of defining the amount of the premium for which an insurance company covers a certain risk of a consumer, and can also determine the amount of excess **left at the consumer's charge, upon conditions fixed by decree from the Conseil d'Etat. An insurance company** can seize the Tarification Bureau to ask for a derogation and propose a higher excess than the normal amount defined by the Tarification Bureau, without exceeding a certain limit defined for each category of contract by the Ministry of Economy and Finance.

In line with Article 991 of the General Tax Code, tax is levied on the amount of the stipulated sums benefiting the insurer and all associated additional charges from which he benefits directly or indirectly because of the insured. According to Insurance Europe<sup>25</sup>, tax is generated at the premium renewal date. The insurer is liable to tax when established in France or when established in the EU but operating in France via FPS. If the insurer is neither established in France nor in the EEA, payment of taxes on insurance contracts and their associated additional charges is made by a tax representative. The premium tax is of 33% for M3PL and 18% for accidental damage and aid of vehicles, while the rate for fire premium is 30%<sup>26</sup>.

The national supervisory authority, Autorité de Contrôle Prudentiel et de Résolution (ACPR) is in charge of the transposition of the Insurance Distribution Directive (IDD). The ACPR highlights<sup>27</sup> that with the IDD, the conditions related to conflicts of interest, grouped sales and the information obligation on products will also apply to add-on insurance. The Association Française des Sociétés Financières (Finance Trade Association) considers<sup>28</sup> that the IDD introduces a new gold-standard for the distribution of all insurance products and expects many changes in regulatory and business practices across Europe. The **Fédération Française de l'Assurance** - FFA (Insurance Trade Association) considers<sup>29</sup> that the IDD contains provisions on freedom of services and establishment that will facilitate intermediaries who wish to engage in cross-border distribution of financial products to do so, even if some cultural and legal obstacles remain. The FFA acknowledges that the product information document for all non-life insurance products introduced by the IDD

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<sup>22</sup> Décret n° 2016-505 du 22 avril 2016 relatif aux obligations d'information sur les sites comparateurs en ligne. Available at:

<https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000032447402&categorieLien=id>

<sup>23</sup> Code de la Consommation. Available at:

<https://www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006069565>

<sup>24</sup> The Central Tarification Bureau is a public joint body gathering representatives of insurers and of insured persons. Available at: <http://www.bureaucentraldetarification.com/fr/>

<sup>25</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.insuranceeurope.eu/indirect-taxation-insurance-contracts-europe-2016>

<sup>26</sup> The tax on accidental damage and on fire has **to be paid to the "Common Fund for Victims of Terrorism" on property insurance contracts**. In 2016 the rate is 4.30 EUR per contract.

<sup>27</sup> Insight from ACPR answer to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>28</sup> Insight from the answer of the Association Française des Sociétés Financières to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>29</sup> Insight from FFA answer to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

will enhance transparency and will help consumers make well-informed decisions for insurance products including add-on insurance. However, the FFA mentioned regretting that the IDD, for the sake of providing consumers with standardised information, introduces numerous duplicative rules in parallel with the new PRIIPs Regulation and Solvency II Directive, which means in practice that consumers risk receiving the same type of information twice, but in a different wording and a different format, possibly leading to confusion and litigation.

*Overview of premiums*

Table 5 in Annex I presents the evolution of total non-life insurance gross written premiums (GWP). It shows a slow but constant increase of the total GWP, from 54,155 million EUR in 2011 to 57,471 million EUR in 2014 (excluding health).

Table 6 of Annex I presents the figures of earned premiums (excluding health) according to ACPR and shows a steady growth from 45,940 million EUR in 2011 to 48,160 million EUR in 2014.

The above figures on premiums encompassed both B2C and B2B. In its latest report, the FFA provides differentiated data showing the evolution of premiums depending on the policyholder.

Table 2 : Non-life insurance GWP per B2C in France

Year	Non-life insurance GWP – B2C (billion EUR)	Share of B2C in total non-life insurance GWP (%)
2011	28.7	59.8
2012	29.9	60.5
2013	30.7	61.2
2014	31.8	62.1
2015	32.8	62.7

Source: FFA, 2016, Property and Liability Insurance key data for 2015

The report from the FFA<sup>30</sup> shows that in 2015, B2C non-life insurance premiums included 56.4% motor insurance, 30.6% property insurance, 5.7% assistance, 3.6% legal protection and 3.7% "other".

*Overview of data on claims*

Table 7 of Annex I presents the evolution of non-life claims expenditure and claims paid, for non-life insurance. After a stagnation between 2011 and 2012, total claims paid increased significantly in 2013 and then more slowly in 2014, up to 39,594 million EUR excluding health and 47,500 million EUR including health.

In their latest report on property and liability insurance<sup>31</sup>, the FFA indicates an estimated total of 14 million claims in 2014 and 13.3 million claims in 2015 for non-life insurance.

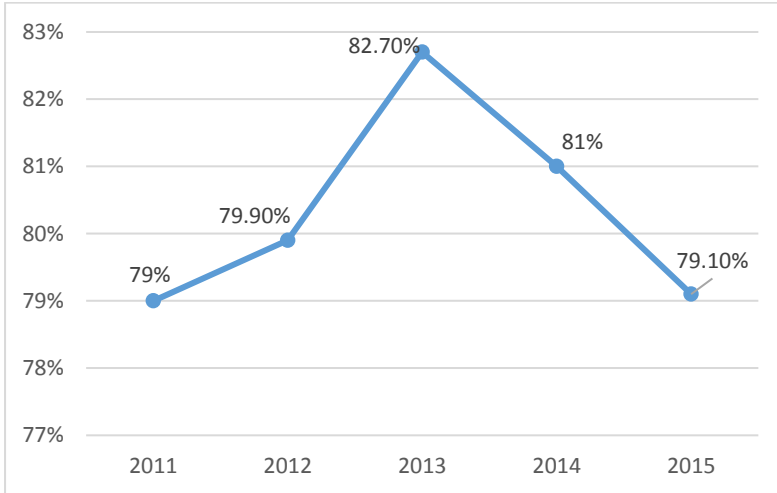
<sup>30</sup> FFA, 2016, Property and Liability Insurance key data for 2015. Available at: <http://www.ffa-assurance.fr/file/845/download?token=eV2eIehV>

<sup>31</sup> FFA, 2016, Property and Liability Insurance key data for 2015. Available at: <http://www.ffa-assurance.fr/file/845/download?token=eV2eIehV>

Neither the FFA nor ACPR indicated earlier figures. In 2015, the total number of claims consists of 65% motor claims, 25% multi-risk household claims and 10% claims on professional property<sup>32</sup>.

The following figure presents the latest statistics on non-life claims ratio. After a surge in 2013, this ratio has been decreasing, which for companies is an improvement<sup>33</sup>.

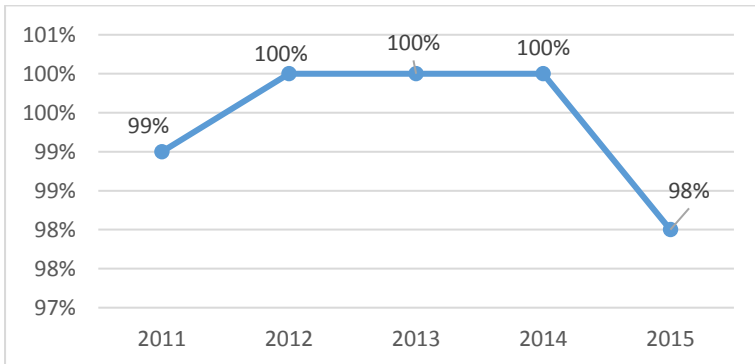
Figure 1 : Total non-life claims ratio in France



Source: For 2011, 2012, 2013: ACPR, 2013, Insurance Data. For 2014, 2015: ACPR, 2015, Situation of insurance companies 2015.

The figure below presents the evolution of combined ratio for total non-life insurance (excluding health), before reinsurance. After a stabilisation between 2012 and 2014, the total non-life combined ratio decreased by 2 percentage points in 2015.

Figure 2: Total non-life combined ratio in France



Source: FFA, 2016, Property and Liability Insurance key data for 2015

<sup>32</sup> FFA, 2016, Property and Liability Insurance key data for 2015. Available at: <http://www.ffa-assurance.fr/file/845/download?token=eV2eLehV>

<sup>33</sup> ACPR, 2015, Situation of insurance companies 2015. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/analyses-syntheses/20160825-AS72-La-situation-des-principaux-organismes-dassurance-en-2015.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/analyses-syntheses/20160825-AS72-La-situation-des-principaux-organismes-dassurance-en-2015.pdf)

### 1.1.2. Household insurance

#### *Overview of the selected products*

In France, household insurance products include multi-risk household insurance and insurance against unpaid rent.

Multi-risk household insurance is the most common product with 38.9 million contracts held in 2014<sup>34</sup> and as per the Insurance Code, the covers against natural disasters, storms, attacks and technological disasters are compulsory. Multi-risk household insurance covers material damage to building and content (due to fire, water, explosion, storm, natural or technological disasters, attack, but also theft, glass breakage and electric appliances), civil liability of the owner or tenant (to compensate damage to third party), and usually legal protection and assistance<sup>35</sup>.

Insurance against unpaid rent is subscribed by homeowners and only applies to premises for housing or sometimes for liberal profession but not to holiday homes or commercial and rural premises. Such type of insurance may cover unpaid rent, related litigation costs and compensation for the absence of rent due to renovation work caused by tenants<sup>36</sup>.

In line with Law n°89-462 of 6 July 1989 to improve rental relationship<sup>37</sup> (Article 7.g), the tenant must subscribe to an insurance covering rental risks to the building (damage caused by fire, explosion or water) and show evidence of this insurance contract to the owner. In case the tenant has not done so, the owner can pick an insurance and subscribe directly in the name of the tenant. Not subscribing to an insurance policy can also lead the tenant to be expelled by the owner if such a condition is included in the lease contract.

Since the new Law n° 2014-366 of 24 March 2014 for housing access and renovated **urbanism (so called "ALUR law")**<sup>38</sup>, the homeowners, even when renting out their house, must subscribe to a household insurance covering civil liability.

Article 61 of the Hamon Law (=Article L113-15-2 of the Insurance Code) stipulates that after a subscription of one year, a consumer can terminate the contract whenever he/she decides, including tacitly renewed contracts. For household insurance (as well as for motor insurance), the new insurer is in charge of the procedure for the termination of the **consumer's earlier contract, in order to ensure the continuity of the consumer protection.**

The consumer is liable to an excess in case he/she is responsible for the event leading to the claim<sup>39</sup>.

For household insurance, the Insurance Code (Annex 1 Art. A125-1) indicates that the amount of excess is 380 EUR. However, according to Article R250-4-3 of the Insurance Code, the Tarification Bureau may decide the application of an excess up to 1,000 EUR per claim with regard to the compulsory insurance for household tenants or owners.

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<sup>34</sup> FFA, 2016, **l'Assurance habitation en 2014**. Available at : <http://www.ffa-assurance.fr/content/assurance-habitation-en-2014>

<sup>35</sup> FFA, 2016, Assurance multirisques habitation : les garanties du locataire. Available at: <http://www.ffa-assurance.fr/content/assurance-multirisques-habitation-les-garanties-du-locataire?parent=74&lastChecked=116>

<sup>36</sup> FFA, 2015, **L'assurance « loyers impayés »**. Available at : <http://www.ffa-assurance.fr/content/assurance-loyers-impayes?parent=74&lastChecked=117>

<sup>37</sup> Loi n° 89-462 du 6 juillet 1989 tendant à améliorer les rapports locatifs et portant modification de la loi n° 86-1290 du 23 décembre 1986 <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000000509310>

<sup>38</sup> Loi n° 2014-366 du 24 mars 2014 pour l'accès au logement et un urbanisme rénové. Available at: <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028772256&categorieLien=id>

<sup>39</sup> **Frédéric L'assureur, 2016, Dois-je payer la franchise ?** (automobile ou habitation). Available at : <http://fredericassureur.fr/does-je-payer-la-franchise-automobile-habitation/>

In addition, Article R126-2 of the Insurance Code states that property insurance contracts can stipulate, for claims resulting of terrorist attacks, a different excess than for the fire guarantee, but which cannot be more than double the amount of the fire guarantee excess.

Finally, for property insurance, the Insurance Code states that in communes without a prevention plan of natural disaster covering the risk that occurred, the amount of excess is defined according to the occurrence of the same risk in the past five years (Annex 1 Art. A125-1).

#### *Overview of the national market*

According to the FFA, multi-risk household insurance represented 38.87 million contracts in 2014<sup>40</sup>, 38.16 million in 2013 and 37.4 million in 2012<sup>41</sup>. The penetration of household insurance was of 0.7% between 2011 and 2013, and 0.8% in 2014<sup>42</sup>. The table below presents the latest statistics on insurance density, showing a steady increase of the amount of premium purchased per insured. In Insurance Europe statistics, property insurance refers to protection against risks such as fire, theft and some weather damage.

Table 3 : Property insurance density in France

Year	2011	2012	2013	2014
Property density (EUR)	228	237	241	249

Source: Insurance Europe, 2016, Non-life insurance data

#### *Overview of premiums*

According to the FFA<sup>43</sup>, B2C property premiums accounted for 30.6% of B2C non-life premiums, with 10 billion EUR. The rest of the figures below are presented without differentiating B2C and B2B.

The figure below presents the gross written premium for multi-risk household insurance between 2011 and 2015. It shows a regular increase of multi-risk household insurance premiums.

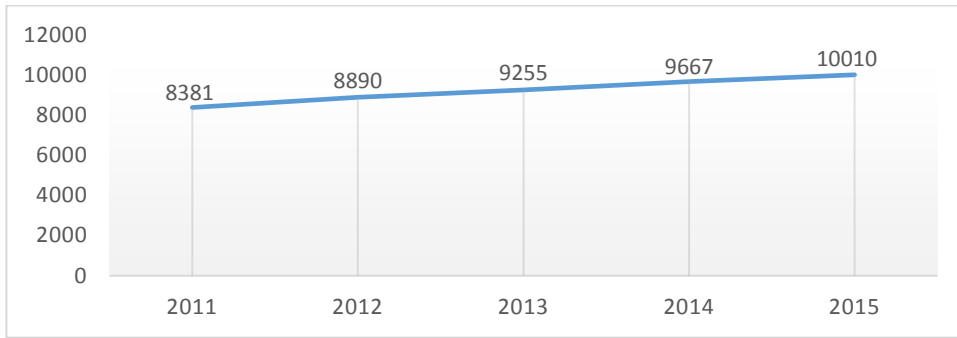
<sup>40</sup> FFA, 2016, L'assurance habitation en 2014. Available at : <http://www.ffa-assurance.fr/content/assurance-habitation-en-2014>

<sup>41</sup> FFA, 2015, L'assurance habitation en 2013, contrats multirisques et immeubles. Available at: <http://www.ffa-assurance.fr/content/assurance-habitation-en-2013-contrats-multirisques-et-immeubles>

<sup>42</sup> Insurance Europe, 2016, Insurance Europe industry database. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

<sup>43</sup> FFA, 2016, Property and Liability Insurance key data for 2015. Available at: <http://www.ffa-assurance.fr/file/845/download?token=eV2eIehV>

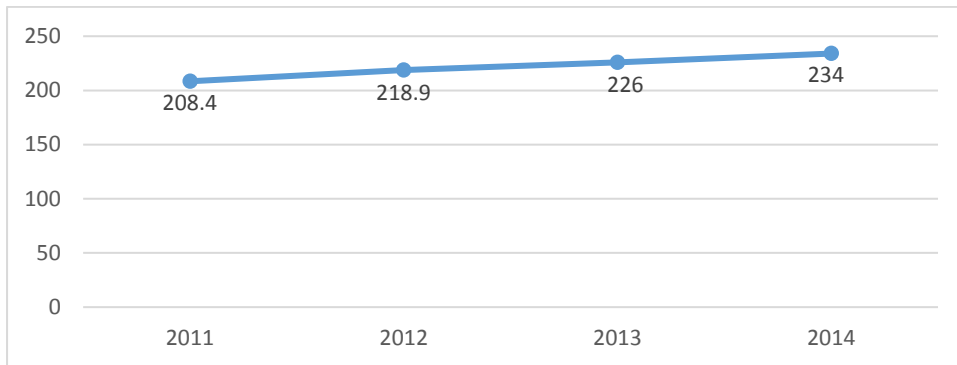
Figure 3: Multi-risk household insurance gross written premiums in France (million EUR)



Source: FFA, 2016, Property and Liability Insurance key data for 2015

The figure below presents the evolution of the average premium for multi-risk household and shows a steady increase between 2011 and 2014.

Figure 4: Multi-risk household insurance average premium in France (EUR)



Source: FFA, 2016, Property and Liability Insurance key data for 2015

The table below displays the evolution of earned premiums for property insurance ("dommage aux biens"). It shows a progressive rise between 2011 and 2014.

Table 4 : Property insurance earned premiums in France (million EUR)

Year	2011	2012	2013	2014
Property insurance earned premiums	14,650	15,330	15,710	16,160

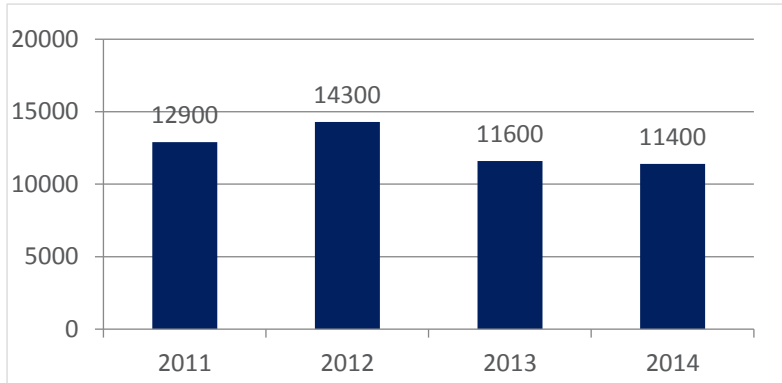
Source: ACPR, 2014, Insurance Data

*Overview of data on claims*

The figure below presents the evolution of the claims paid for property insurance. After an increase between 2011 and 2012, property claims paid decreased by 2,700 million EUR in 2013 and by 200 million EUR in 2014, which is reflected in the claims ratio shown below.



Figure 5 : Property claims paid in France (million EUR)



Source: Insurance Europe, 2016, Non-life insurance data

According to the FFA<sup>44</sup>, 3.4 million claims were paid in 2014 for multi-risk household insurance and the frequency of these claims decreased by 1.7% compared to the previous year. In 2015, the number of paid claims represented 25% of the total non-life paid claims<sup>45</sup>.

The evolution of claims for multi-risk household insurance is linked to various events. The table below presents the distribution of claims for multi-risk household insurance over the last three years. We can observe that over half of the claims are related to fire, water damage and theft. One can also note an increase of storm/hail/snow, natural disaster and electric accidents. Natural disasters are defined here as floods, droughts and earthquakes.

Table 5 : Distribution of claims for multi-risk household insurance in France

	2013	2014	2015
Fire	18.3%	19.9%	17.4%
Water	20.4%	19.6%	19.6%
Theft	19.3%	17.7%	19.4%
Civil liability	13.6%	13.2%	13.6%
Storm, hail, snow	9.9%	10.1%	10.2%
Natural disaster	9.6%	9.4%	9.7%
Glass breakage	4.8%	4.9%	3.7%
Electric accident	4.1%	5.2%	6.4%

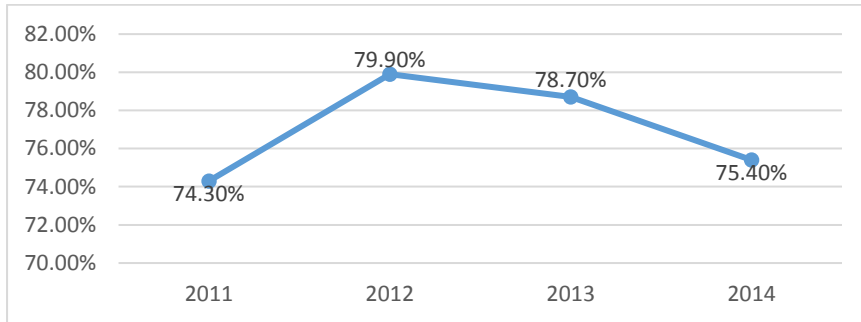
Source: FFA insurance scoreboard of 2013, 2014, 2015

<sup>44</sup> FFA, 2016, *l'assurance habitation en 2014*. Available at: <http://www.ffa-assurance.fr/content/assurance-habitation-en-2014>

<sup>45</sup> FFA, 2016, *Property and Liability Insurance key data for 2015*. Available at: <http://www.ffa-assurance.fr/file/845/download?token=eV2eIehV>

The figure below shows the progression of the claims ratio for property insurance which shows a decrease between 2013 and 2015, after a surge in 2012.

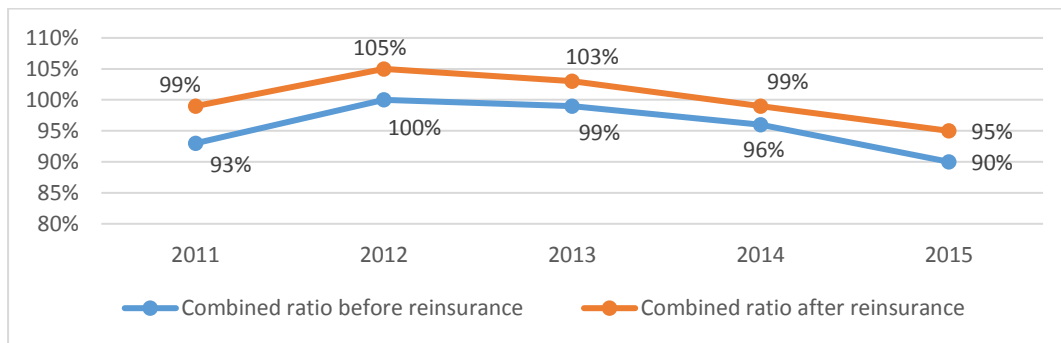
Figure 6: Property insurance claims ratio in France



Source: For 2011, 2012, 2013: ACPR, 2013, Insurance Data. For 2014: ACPR, 2014, Insurance Data.

The figure below presents the evolution of combined ratio for multi-risk household insurance, which shows a surge in 2012 and a decrease between 2013 and 2015.

Figure 7: Multi-risk household insurance combined ratio in France



Source: FFA, 2016, Property and Liability Insurance key data for 2015

### 1.1.3. Motor insurance

#### *Overview of the selected products*

The Insurance Code stipulates the obligation for vehicle drivers to subscribe to a motor third party liability insurance, whose civil liability guarantee must be extended to the other EU Member States (article L211-1). It also indicates that motor insurance must include covers against natural disasters and attacks.

Motor third party liability insurance covers material or physical damage caused to third party by the driver or one of the passengers. An insurance certificate ("vignette") must be visible under the windshield to prove that the vehicle is covered by this compulsory insurance<sup>46</sup>.

<sup>46</sup> FFA, 2016, L'assurance automobile des particuliers en 2014. Available at: <http://www.ffa-assurance.fr/content/assurance-automobile-des-particuliers-en-2014>

The minimum amount covered by motor third party insurance is unlimited for personal injury<sup>47</sup> and of 1,120,000 EUR for damage to property<sup>48</sup>. The sums insured are determined by each insurer and indicated in the contract.

Other optional motor insurance warranties exist, which include automatically a cover against natural disaster, technological disaster, storm and attack<sup>49</sup>:

- All damage waiver: covering all damage experienced by the vehicle for any accident or fault;
- Collision damage waiver: covering collision with a pedestrian, another vehicle or a pet;
- Fire and theft warranties: with which the insured receives a compensation equal to the value of the vehicle on the fire/theft day;
- Glass breakage warranty: covering breakage of the windshield or windows.

The optional breakdown insurance covers the repatriation of the car and its passengers in the event of an accident or breakdown. It generally covers expenses for accommodation or alternative transport to destination during the car repair as well as medical costs in case of accident. The breakdown insurance coverage only applies at a minimum distance from **the insured's main address (e.g. 15, 20km) and the insured must check** whether it applies outside of France<sup>50</sup>.

The criteria taken into account to calculate motor insurance premiums are the model and power of the car, the location (premiums are higher in cities than in rural areas) but also the age and driving history of the driver<sup>51</sup>.

Articles L 111-4 and A 121-1 of the Insurance Code regulate the Bonus/Malus system.

A bonus is a discount in the premium which is given on the renewal of the policy if no claim has been made in the previous year. A malus is an increase in the premium if there has been a certain number of claims in the previous year.

According to Article A125-1 of Annex I of the Insurance Code, the amount of excess for motor vehicles is 380 EUR for each damaged vehicle. This amount can differ for a professional vehicle. The consumer is liable to an excess in case he/she is responsible for the event leading to the claim<sup>52</sup>.

### *Overview of the national market*

The number of companies operating in the motor insurance domestic market was of 103 in 2011, 95 in 2012 and 93 in 2013, indicating a concentration of the sector.<sup>53</sup>

The penetration of motor insurance has been of 0.9% from 2011 to 2014<sup>54</sup>.

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<sup>47</sup> EC expert group on European insurance contracts, 2013, Discussion paper: motor insurance. Available at: [http://ec.europa.eu/justice/contract/files/expert\\_groups/discussion\\_paper\\_vii\\_-\\_motor\\_insurance\\_-\\_12-13\\_november\\_meeting\\_en.pdf](http://ec.europa.eu/justice/contract/files/expert_groups/discussion_paper_vii_-_motor_insurance_-_12-13_november_meeting_en.pdf)

<sup>48</sup> LeParticulier.fr, 2011, Nouveau plafond de couverture pour l'assurance automobile. Available at: [http://www.leparticulier.fr/jcms/p1\\_1410587/nouveau-plafond-de-couverture-pour-l-assurance-automobile](http://www.leparticulier.fr/jcms/p1_1410587/nouveau-plafond-de-couverture-pour-l-assurance-automobile)

<sup>49</sup> FFA, 2015, *l'Assurance Auto*. Available at: <http://www.ffa-assurance.fr/content/assurance-auto?parent=74&lastChecked=77>

<sup>50</sup> FFA, 2015, *l'Assurance Auto*. Available at: <http://www.ffa-assurance.fr/content/assurance-auto?parent=74&lastChecked=77>

<sup>51</sup> AMA Assurances, 2015, Les facteurs qui influencent le tarif de votre assurance auto. Available at: <http://www.ama.fr/blog/les-facteurs-qui-influencent-le-tarif-de-votre-assurance-auto/>

<sup>52</sup> Frédéric L'assureur, 2016, Dois-je payer la franchise? (automobile ou habitation). Available at: <http://fredericlassureur.fr/does-je-payer-la-franchise-automobile-habitation/>

<sup>53</sup> Insurance Europe, 2016, Non-life insurance data. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

<sup>54</sup> Insurance Europe, 2016, Non-life insurance data. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

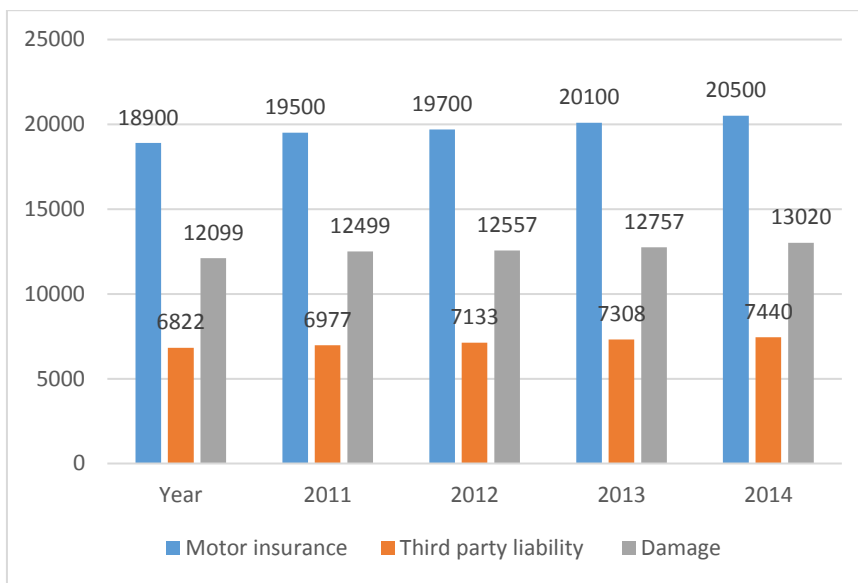
Article 61 of the Hamon Law (=Article L113-15-2 of the Insurance Code) stipulates that after a subscription of one year, a consumer can terminate the contract whenever he/she decides, including tacitly renewed contracts. For motor third party liability, the new insurer is in charge of **the procedure for the termination of the consumer's earlier contract**, in order to ensure the continuity of the consumer protection.

*Overview of premiums*

According to the FFA<sup>55</sup>, B2C motor premiums accounted for 56.4% of B2C non-life premiums, with 18.5 billion EUR. The rest of the figures below are presented without differentiating B2C and B2B.

The figure below presents the gross written premium for motor insurance and shows a regular rise between 2011 and 2014.

Figure 8: Gross written premiums in France (million EUR)



Source: FFA, 2016, Property and Liability Insurance key data for 2015

The table below provides figures of motor density and average motor third party liability insurance (M3LP) per insured, showing a steady rise.

Table 6 : Motor density and average M3PL premium per insured in France (EUR)

Year	2011	2012	2013	2014
Motor density	290	297	299	304
Average M3PL per insured	138	140	143	N/A

Source: For motor density: Insurance Europe, 2016, Non-life insurance data. For M3PL: Insurance Europe, 2015, European Motor Insurance Markets

The table below displays the evolution of earned premiums for motor insurance. It shows a progressive rise between 2011 and 2014.

<sup>55</sup> FFA, 2016, Property and Liability Insurance key data for 2015. Available at: <http://www.ffa-assurance.fr/file/845/download?token=eV2eIehV>

Table 7 : Motor insurance earned premiums in France

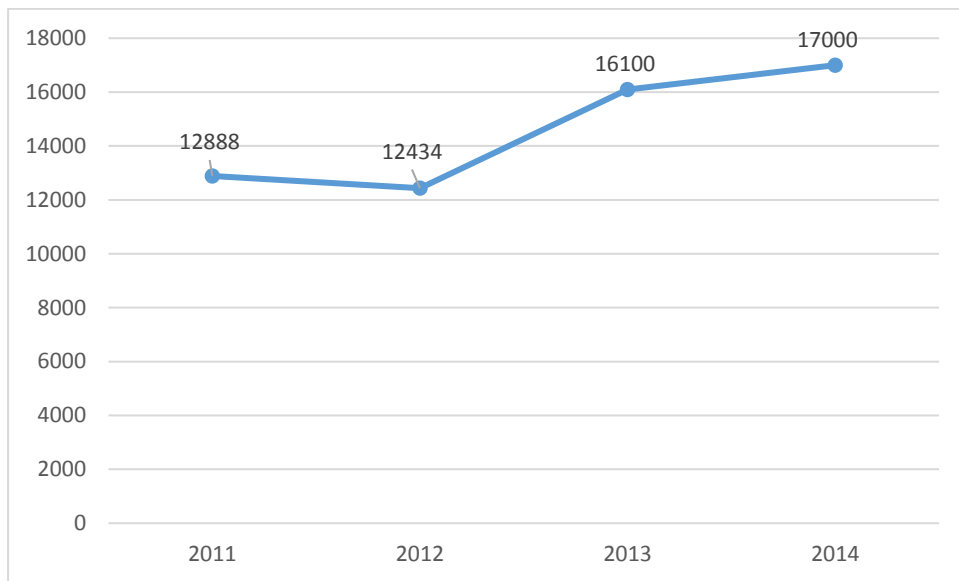
Year	2011	2012	2013	2014
Motor insurance earned premiums (billion EUR)	18.73	19.29	19.57	19.90

Source: ACPR, 2014, Insurance Data

*Overview of data on claims*

The figure below presents the evolution of claims paid for motor insurance and shows a diminution between 2011 and 2012 but a large increase in 2013 and a slower one in 2014.

Figure 9 : Motor insurance claims paid in France (million EUR)



Source: Insurance Europe, 2016, Non-life insurance data

The FFA estimated that in 2014 7.7 million claims have led to compensation for motor insurance<sup>56</sup>. In 2015, the number of motor paid claims represented 65% of all non-life paid claims<sup>57</sup>.

According to the FFA<sup>58</sup>, the evolution of claim pay-outs for motor insurance is linked to a rise of material claims and physical accidents, an increase in the average claim for theft despite a decrease in the number of thefts and a rise in natural disasters.

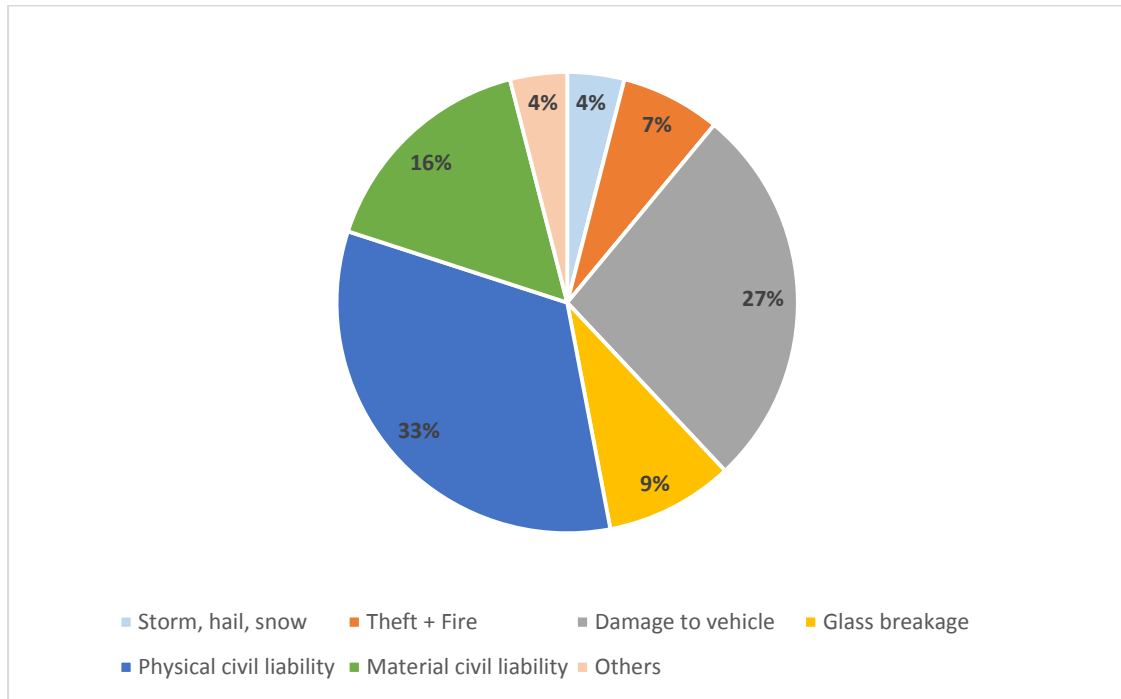
The distribution of types of claims incurred in 2014 is presented in the figure below and shows that 2/3 of the claims are related to physical civil liability, damage to the vehicle and material civil liability.

<sup>56</sup> FFA, 2016, L'assurance automobile des particuliers en 2014. Available at: <http://www.ffa-assurance.fr/content/assurance-automobile-des-particuliers-en-2014>

<sup>57</sup> FFA, 2016, Property and Liability Insurance key data for 2015. Available at: <http://www.ffa-assurance.fr/file/845/download?token=eV2eIehV>

<sup>58</sup> FFA, 2016, L'assurance automobile des particuliers en 2014. Available at: <http://www.ffa-assurance.fr/content/assurance-automobile-des-particuliers-en-2014>

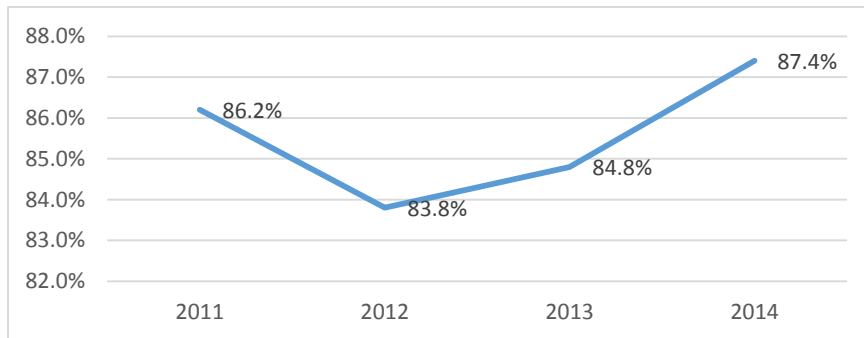
Figure 10: Distribution of claims incurred for motor insurance in France in 2014



Source: FFA, 2016, L'assurance automobile des particuliers en 2014

The figure below presents the evolution of motor claims ratio, showing a decrease in 2012 and a rise since then.

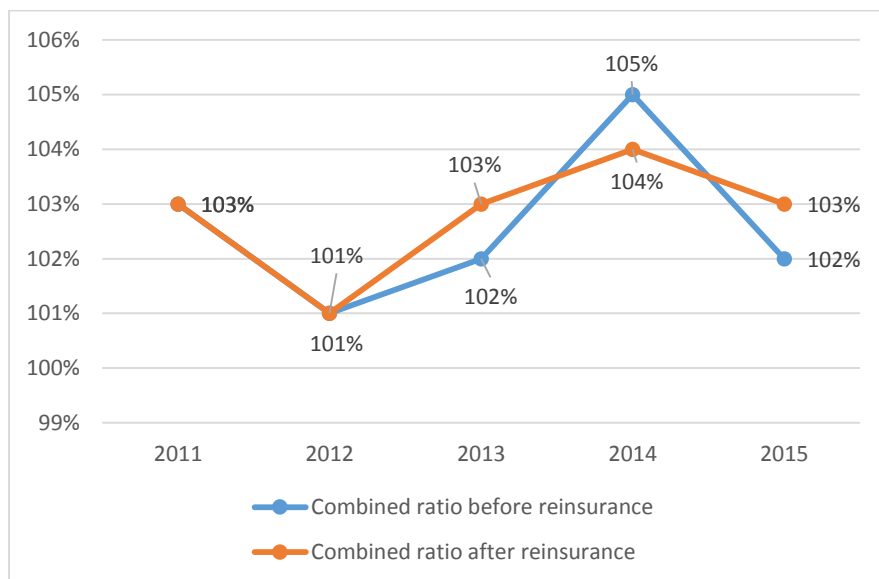
Figure 11: Motor claims ratio in France



Source: FFA, 2016, Property and Liability Insurance key data for 2015

The figure below presents the evolution of combined ratio for motor insurance before and after reinsurance. It shows that both combined ratios were at the same level in 2011 and 2012 and that they increased at different paths in 2013 and 2014 before decreasing in 2015.

Figure 12: Motor combined ratio before and after reinsurance in France



Source: FFA, 2016, Property and Liability Insurance key data for 2015

#### 1.1.4. Car rental insurance

##### *Overview of the selected products*

Article L211-1 of the Insurance Code requires vehicle drivers to be covered by third party liability insurance. This includes therefore both vehicle owners and vehicle renters. As a consequence, a consumer cannot rent a car without being covered by a car rental insurance covering third party liability.

Therefore, the price for car rental always includes a third-party liability insurance, which covers<sup>59</sup>:

- Physical or material damage on third parties caused by the rented car;
- Damage on the passengers of the rented car, considered as third party too.

However, this third-party liability insurance does not cover damage on the driver of the rented car itself.

Beside this compulsory insurance, the consumer can add other optional insurance products such as:

- Personal accident insurance: to cover physical and material damage on the passengers and the driver;
- Super personal accident insurance: to cover luggage and personal belonging in case of fire, theft, accident of natural disaster;
- Collision damage waiver insurance: the consumer is only liable to pay part of the excess in case of collision;
- Super collision damage waiver: the consumer is not liable to pay any of the excess in case of collision;
- Theft protection coverage: the consumer is only liable to pay part of the excess in case of theft;
- Super theft protection coverage: the consumer is not liable to pay any of the excess in case of theft;

<sup>59</sup> Ooreka, 2016, L'assurance location voiture. Available at : <https://location-voiture.ooreka.fr/comprendre/assurance-location-voiture>

- Glass breakage insurance: the consumer is not liable to pay any of the excess for damage caused to the vehicle windows.

With a premium credit card (e.g. American Express, Gold, Visa Premier), the consumer may also be covered for some warranties, such as the collision damage waiver, personal accident insurance, or the warranty on personal belongings<sup>60</sup>.

Pursuant to the Decree of 17 March 2015 related to pre-contractual information to consumers and price advertisement of car rental<sup>61</sup>, the car rental company has an obligation to inform the consumer about the automatic inclusion of third party liability insurance in the rental package, about the warranties, exclusions and excess for other insurance products included in the rental package and for optional insurance products.

The amount of excess is included in the rental contract and varies between around 2,500 EUR to 10,000 EUR<sup>62</sup> according to the vehicle category and the car rental company. The amount of excess will also depend on the liability of the driver in case of claim. If the rented car driver is victim of an accident, the damage liability is attributed to the party causing the accident and the rented car driver does not have to pay an excess. If the rented car driver is partially or totally responsible of the damage, he/she has to pay the excess indicated in the rental contract<sup>63</sup>.

With products such as collision damage waiver insurance and theft protection coverage, the consumer will only have a reduced part of the excess to pay, while with Super collision damage waiver insurance and Super theft protection coverage, the consumer has no excess at all to pay.

#### *Overview of the national market*

No information specific to car rental insurance products was available.

#### *Overview of premiums*

No information specific to car rental insurance products was available.

#### *Overview of data on claims*

No information specific to car rental insurance products was available.

### 1.1.5. Insurance products sold as an add-on to other primary products

#### *Overview of the selected products*

According to UFC-que choisir<sup>64</sup>, add-on insurance covers six families of products: **extended warranty, insurance on payment, insurance on "nomadic products"<sup>65</sup>, phone insurance, pet insurance and cancellation insurance.**

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<sup>60</sup> FFA, 2016, **La location de voiture pour une courte durée et l'assurance**. Available at: <http://www.ffa-assurance.fr/content/la-location-une-voiture-pour-une-courte-duree-et-assurance>

<sup>61</sup> Arrêté du 17 mars 2015 relatif à l'information précontractuelle des consommateurs et à la publicité des prix des prestations de location de véhicules. Available at: <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000030375910>

<sup>62</sup> Oreka, 2016, Franchise location voiture. Available at: <https://location-voiture.ooreka.fr/comprendre/franchise-location-voiture>

<sup>63</sup> FFA, 2016, **La location de voiture pour une courte durée et l'assurance**. Available at: <http://www.ffa-assurance.fr/content/la-location-une-voiture-pour-une-courte-duree-et-assurance>

<sup>64</sup> Le Monde, 2013, Les assurances affinitaires, trop chères et difficiles à résilier ? Available at: [http://www.lemonde.fr/vous/article/2013/06/05/les-assurances-affinitaires-trop-cheres-et-difficiles-a-resilier\\_3424571\\_3238.html#EEgyMUFtiIYXksb1.99](http://www.lemonde.fr/vous/article/2013/06/05/les-assurances-affinitaires-trop-cheres-et-difficiles-a-resilier_3424571_3238.html#EEgyMUFtiIYXksb1.99)

<sup>65</sup> "Nomadic products" consist in the new technology products that consumers can carry around such as tablets, cameras.



Travel insurance can comprise warranties for cancellation, accident, sickness, luggage theft<sup>66</sup>. The cancellation warranty may be:

- Included in the travel price
- Be included as an additional insurance by the travel agency
- Be included in a travel insurance contract subscribed to individually which also covers civil liability, luggage and accident
- Be included in a specific insurance contract
- Be included among the warranties covered by a premium credit card (the travel must have been paid with this card)

A warranty on luggage can be subscribed to the travel agency, be part of a package subscribed to the bank or insurance company, or be included in the advantages of a premium credit card. It can cover the loss, theft or deterioration of belongings brought or bought around the world.

Consumers are sometimes already covered for some travel insurance warranties (e.g. sickness, accident, personal assistance) through their household, motor or health insurance.

**Multi-risk household insurance includes a holiday warranty ("garantie villégiature")** covering the loss or damage of certain belongings during stays outside of home, in France or abroad.

As regards extended warranty, according to Article L211-15 of the Consumption Code, the retailer proposing an extended warranty must indicate the content, scope, duration and price of the extension to the customer. Moreover, the Hamon Law extended the warranty of conformity from 6 months to 24 months, which means that the customer can get a product exchanged, repaired or refunded for free during two years in case of non-conformity.

Finally, home assistance consists in providing emergency services such as plumbing and locksmiths. Health assistance includes the provision of nurses or baby-sitters.

### *Overview of the national market*

According to UFC-que choisir (consumer association), the six main categories of add-on insurance represented 2 billion EUR in 2013, 2.5 billion EUR in 2014 and 3 billion EUR in 2015 in France<sup>67</sup>.

A trade association for add-on insurance, the Fédération des Garanties et Assurances Affinitaires (FG2A) was created in April 2012. According to a survey from CSA for FG2A published in January 2013, 81% of French consumers had already subscribed to an add-on insurance product and on average, each French consumer owns at least 2.4 add-on insurance products<sup>68</sup>. The most common add-on insurance products sold are cancellation insurance for tickets or travel and the extension of warranty<sup>69</sup>.

Add-on insurance products are subject to the Insurance Code. Moreover, Article 38 of the Hamon Law (=Article L112-10 of the Insurance Code) enables consumers subscribing to

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<sup>66</sup> FFA, 2016, Vacances assurance et assistance. Available at: <http://www.ffa-assurance.fr/content/vacances-assurance-et-assistance-0?parent=74&lastChecked=122>

<sup>67</sup> Le Monde, 2013, Les assurances affinitaires, trop chères et difficiles à résilier ? Available at: [http://www.lemonde.fr/vous/article/2013/06/05/les-assurances-affinitaires-trop-cheres-et-difficiles-a-resilier\\_3424571\\_3238.html#EEgyMUFtiYXksb1.99](http://www.lemonde.fr/vous/article/2013/06/05/les-assurances-affinitaires-trop-cheres-et-difficiles-a-resilier_3424571_3238.html#EEgyMUFtiYXksb1.99)

<sup>68</sup> Laurent Thévenin, Les Echos, 2013, Assurance-voyage, portables, extensions de garanties : une image en berne. Available at: [http://www.lesechos.fr/23/01/2013/LesEchos/21360-134-ECH\\_assurance-voyage--portables--extensions-de-garanties---une-image-en-berne.htm#IBc7tPZ4sQKlxREA.99](http://www.lesechos.fr/23/01/2013/LesEchos/21360-134-ECH_assurance-voyage--portables--extensions-de-garanties---une-image-en-berne.htm#IBc7tPZ4sQKlxREA.99)

<sup>69</sup> Amrae, 2015, Vraie garantie ou fausse assurance ? Available at: [http://www.amrae.fr/sites/default/files/udr/2015\\_02\\_AtelierB4VraieGarantieFausseAssurance\\_Amrae\\_C.pdf](http://www.amrae.fr/sites/default/files/udr/2015_02_AtelierB4VraieGarantieFausseAssurance_Amrae_C.pdf)

an add-on insurance contract to terminate the contract within 14 days from its signature without costs if they justify that they are already covered against the same risks. Before the signature of a contract, the insurer must encourage the consumer to check that he/she is not insured for the same risks and inform him/her about this early termination clause. This article covers risks linked to the bad functioning, loss, theft or damaging of a good and the risks related to a travel.

**In addition, the Hamon law forbids the “pre-ticking” of optional warranties, assimilated to forced sales, which was quite common with travel insurance<sup>70</sup>.**

The ACPR, in charge of the transposition of the Insurance Distribution Directive, highlights<sup>71</sup> that, with the IDD, the conditions related to conflicts of interest, grouped sales and the information obligation on products will also apply to add-on insurance. An interviewee from the FFA acknowledges that the product information document for all non-life insurance products introduced by the IDD will enhance transparency and will help consumers make well-informed decisions for insurance products including add-on insurance.

#### *Overview of premiums*

The table below presents the number of premiums for the different categories of add-on products, as per FFA figures.

Table 8 : Add on insurance premiums per category in 2013 in France

Category of product	Premiums (Million EUR)
<b>“Nomadic” products theft + breakage</b>	506.2
Travel (excluding credit card)	48.5
Payment card	124.2
Banking package (payment means, aggression)	259.6
Extension of warranty	68
Glasses, hearing devices	6.8
Cancellation of tickets for shows	2
Invoice protection	0.3
Unpaid rent	30.9
Others	5.9

Source : Amrea, 2015, Vraie garantie ou fausse assurance ?

<sup>70</sup> Les Echos, 2015, Assurance Voyage : le renforcement réglementaire est une chance pour les distributeurs. Available at: [http://www.fg2a.com/index.php?option=com\\_content&view=article&id=136](http://www.fg2a.com/index.php?option=com_content&view=article&id=136)

<sup>71</sup> Insight from ACPR answer to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

### Overview of data on claims

According to the FG2A, only 20% of the claims handled entail refunding for nomadic products such as smartphones, tablets or cameras. Instead, most of the time, the insurer proposes to repair or replace the product<sup>72</sup>.

For mobile phone insurance more particularly, in 2013 the average claims ratio was of 50% and the average combined ratio of 99%<sup>73</sup>.

No specific information was available for the other type of add on insurance products.

#### 1.1.6. Sales practices and distribution channels

##### *Practices of non-life insurers in France*

The table below shows the evolution of distribution channels for non-life insurance. We can observe a slight decrease of direct writing and a slight increase of bancassurance between 2011 and 2015.

Table 9 : Distribution channels for non-life insurance in France

Year	Direct writing	Agents	Brokers	Banc-assurance	Others
2011	35%	34%	18%	11%	2%
2012	35%	34%	18%	12%	1%
2013	34%	34%	18%	13%	1%
2014	34%	34%	18%	13%	1%
2015	34%	34%	18%	13%	1%

Source: FFA, 2016, Insurance scoreboard for 2015

In its World Insurance Report 2016<sup>74</sup>, Capgemini noted that direct personal contact remains important for French consumers in particular to renew, extend a cover or make a claim. The report observes that online sales lag behind, internet being used for research purposes, with less than 10% of French customers purchasing insurance products online. **Based on a Capgemini "Voice of the consumers" survey performed in 2015, the report indicates that 23.5% of the French respondents make research on the insurers' websites but that 61.8% are unlikely to purchase insurance online.**

However, a report from Finaccord<sup>75</sup> based on consumer surveys shows that some relatively simple products such as motor and domestic property insurance are nonetheless increasingly being sold online over the past few years, with online channels (**both insurers' own sites and through comparison websites**) accounting for 25% of motor and household insurance policy purchases in 2012. In 2012, France had a rate of comparison websites

<sup>72</sup> Pascal Frasnetti, Le Particulier, 2014, Appareils nomades : déjouez les pièges des assurances. Available at: [http://www.leparticulier.fr/jcms/p1\\_1554803/appareils-nomades-dejouez-les-pieges-des-assurances](http://www.leparticulier.fr/jcms/p1_1554803/appareils-nomades-dejouez-les-pieges-des-assurances)

<sup>73</sup> EIOPA, 2015, Report on Consumer Protection Issues arising from the sale of Mobile Phone Insurance. Available at: [https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-235%20-%20Mobile\\_Phone\\_Insurance\\_Report.pdf](https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-235%20-%20Mobile_Phone_Insurance_Report.pdf)

<sup>74</sup> Capgemini, 2016, World Insurance Report. Available at: <http://www.claimsprocessing.com.au/world-insurance-report-2016-mc>

<sup>75</sup> Finaccord 2013, Aggregation Metrics: Consumer Approaches to Insurance Comparison Sites in Europe. Available at: [http://www.finaccord.com/documents/press%20mentions/2013/aggregation-metrics\\_consumer-approaches-to-insurance-comparison-sites-in-europe\\_fanews\\_february-2013.pdf](http://www.finaccord.com/documents/press%20mentions/2013/aggregation-metrics_consumer-approaches-to-insurance-comparison-sites-in-europe_fanews_february-2013.pdf)

use of 11.2%, which was actually three times the figure recorded for purchases in all previous years combined in France, which was 3.1%<sup>76</sup>.

In France, comparison websites are registered as insurance intermediaries, but it is sometimes difficult for consumers to identify comparison websites as such because even if they present themselves as comparison websites, some of them do compare in reality a limited number of contracts, or even the contracts of only one insurer<sup>77</sup>.

According to a representative of the FFA, for individual consumers (B2C), the insurance employees in agencies contribute to 50% of the sales.

When considering the future trends, the interviewee from the FFA predicted a progression of bancassurance in the long term, as well as an increase in online sales even if there has not been a big increase yet. In fact, according to the interviewee, online sales currently remain marginal, around 5% of the overall sales. Using internet is more often a first step, generally followed by a direct conversation with insurance professionals. For the interviewee, it might be a question of generation and may change over time. In his view, insurance is a sensitive product that consumers take cautiously, they are likely to use internet to get information but will eventually purchase insurance after talking directly to insurance professionals to make an informed decision.

There is a multiplication of comparison websites. *Les Furets*<sup>78</sup> and *le Lynx*<sup>79</sup> are among the most popular websites among consumers in France. According to an interviewee from the consumer association CLCV, the comparison websites are useful advertisement tools for smaller insurance companies. However, he observes that there are not many direct subscriptions from these websites because of the lack of clarity over the level of independence of comparison websites vis-à-vis insurance companies. The interviewee **from CLCV and the trade association Fédération Nationale des Syndicats d'Agents Généraux d'Assurance (AGEA)**<sup>80</sup> both noted that comparison websites are not well adapted to the insurance field, as they focus too much on price and not enough on other elements like the specific guarantee.

Article L120-1 of the Consumption Code forbids unfair commercial practices and article L121-1-1 presents a list of 22 practices to be systematically considered as unfair, for instance when an insurer pretends having a label or specific qualification but does not, or when a product is advertised at a price that is never proposed in the contract.

In view of the latest court cases or decisions on unfair commercial practices or conflicts related to insurance sales, here are some representative issues:

- Honourability fault for asset misappropriation with fake extra conditions imposed on customers<sup>81</sup>
- Absence of professional capacity to be allowed to sell insurance products<sup>82</sup>

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<sup>76</sup> Finaccord 2013, Aggregation Metrics: Consumer Approaches to Insurance Comparison Sites in Europe. Available at: [http://www.finaccord.com/documents/press%20mentions/2013/aggregation-metrics\\_consumer-approaches-to-insurance-comparison-sites-in-europe\\_fanews\\_february-2013.pdf](http://www.finaccord.com/documents/press%20mentions/2013/aggregation-metrics_consumer-approaches-to-insurance-comparison-sites-in-europe_fanews_february-2013.pdf)

<sup>77</sup> EIOPA, 2014, Report on good practices on comparison websites. Available at: [https://eiopa.europa.eu/Publications/Reports/Report\\_on\\_Good\\_Practices\\_on\\_Comparison\\_Websites.pdf](https://eiopa.europa.eu/Publications/Reports/Report_on_Good_Practices_on_Comparison_Websites.pdf)

<sup>78</sup> Les Furets. Available at: <https://www.lesfurets.com/>

<sup>79</sup> Le Lynx. Available at: <https://www.lelynx.fr/>

<sup>80</sup> Insight from AGEA reply to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>81</sup> ACPR, Commission des Sanctions, 2014, Procédure no 2014-02. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/registre-officiel/20140718-Decision-de-la-commission-des-sanctions.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/registre-officiel/20140718-Decision-de-la-commission-des-sanctions.pdf)

<sup>82</sup> ACPR, Commission des Sanctions, 2016, Procédure no 2015-05. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/registre-officiel/20160415-decision-UFP-commission-sanctions.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/registre-officiel/20160415-decision-UFP-commission-sanctions.pdf)

## Country fiches

- Default to the obligation to inform<sup>83</sup>
- Defaults in the evaluation of the damage<sup>84</sup>.

In terms of discriminatory practices related to age and sickness, in motor insurance a **higher premium can be applied to drivers holding their driving's license for less than 3 years** or not having been covered by a motor insurance for the last 3 years. This additional premium will be divided by half every consecutive year without accident<sup>85</sup>.

Besides, to rent a car in France, the driver must be at least 21 years old (the age may vary by car category) and must have held a license for 1 year. Drivers under the age of 25 are generally charged with a young driver surcharge<sup>86</sup>.

Moreover, travel agencies often refuse to cover people aged 75+ with travel insurance<sup>87</sup>.

### *Practices of household insurers in France*

The table below presents the division of distribution channels for property insurance between 2011 and 2015. It shows a rise of bancassurance and direct sales, and a small decrease of distribution by agents and brokers.

Table 10 : Distribution channels for property insurance in France

Year	Direct writing	Agents	Brokers	Banc-assurance
2015	0.9%	37.6%	42.6%	18.9%
2014	0.8%	38.7%	43.3%	17.2%
2013	0.8%	38.5%	43.8%	16.9%
2012	0.7%	38.4%	44.3%	16.6%
2011	0.6%	38.5%	44%	16.9%

Source : FFA, 2011-2015, Données clés par année

### *Practices of motor insurers in France*

The table below presents the division of distribution channels for motor insurance. It also shows a rise of bancassurance and direct sales, and a small decrease of distribution by agents and brokers.

<sup>83</sup> ACPR, Commission des Sanctions, 2012, Procédure n° 2012-02. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/registre-officiel/20121221-Decision-de-la-commission-des-sanctions.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/registre-officiel/20121221-Decision-de-la-commission-des-sanctions.pdf)

<sup>84</sup> Arrêt n° 53 du 16 janvier 2014 (13-11.356) - Cour de cassation - Deuxième chambre civile. Available at: [https://www.courdecassation.fr/publications\\_26/arrets\\_publices\\_2986/deuxieme\\_chambre\\_civile\\_3170/2014\\_5871/janvier\\_5872/53\\_16\\_28266.html](https://www.courdecassation.fr/publications_26/arrets_publices_2986/deuxieme_chambre_civile_3170/2014_5871/janvier_5872/53_16_28266.html)

Cour de cassation, civile, Chambre civile 1, 11 décembre 2013, 12-23.068. Available at: <https://www.legifrance.gouv.fr/affichJuriJudi.do?idTexte=JURITEXT000028327802>

<sup>85</sup> ServicePublic.fr, 2015, Assurance auto : jeune conducteur et surprime. Available at: <https://www.service-public.fr/particuliers/vosdroits/F2663>

<sup>86</sup> AutoEurope, Information about Car Rental and Driving in France. Available at: <http://www.autoeurope.com/go/driving-information/france/>

<sup>87</sup> Instinct voyageur, 2014, Assurance voyage : quelle est la meilleure ? (+ conseils). Available at: <http://www.instinct-voyageur.fr/assurance-voyage-comparatif-conseils-choisir-meilleure/>

Table 11 : Distribution channels for motor insurance in France

Year	Direct writing	Agents	Brokers	Banc-assurance
2015	2.6%	43.4%	41.8%	12.3%
2014	2.5%	44.7%	42.1%	10.7%
2013	2.6%	44.9%	42.5%	10%
2012	2.5%	45.2%	42.8%	9.5%
2011	2.5%	45.4%	42.6%	9.5%

Source : FFA, 2011-2015, Données clés par année

#### *Practices of car rental insurers in France*

According to an interviewee from the FFA, sales of car rental insurance occur mostly with the car renting company as intermediary, either face to face or online when booking the reservation.

#### *Practices of insurers selling insurance products as an add-on to other primary products in France*

According to a representative of CLCV and to the FFSA Ombudsman<sup>88</sup>, add-on insurance is usually not sold by insurance professionals but by retailers. Therefore, according to them, these intermediaries often lack expertise and knowledge about the add-on insurance products and may fail to provide all the necessary information to consumers about the insurance product.

#### 1.1.7. Key features of cross-border transactions

According to ACPR, the number of EEA insurance companies authorised to practice in France via FPS has slightly increased, from 1,053 in 2011, 1,050 in 2012, to 1,079 in 2013 and 1,130 in 2014, but it decreased to 1,101 in 2015<sup>89</sup>. The most represented companies are the United Kingdom (21%), Ireland (12%) and Germany (10%) in 2015<sup>90</sup>.

In 2011, there were 1,728 FPS notifications from French insurers on cross border activity, 1,648 in 2012. In 2014, there were 1,720 French insurance companies authorised to practice in other Member States via FPS, and 1,794 in 2015, of which 113 in Belgium, 93 in Italy, 88 in Spain, 87 in Germany and 85 in Luxembourg<sup>91</sup>.

<sup>88</sup> FFSA Insurance Ombudsman, 2015, 2014-2015 Annual Report. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>

<sup>89</sup> ACPR, 2015, *Chiffres du marché français de la banque et de l'assurance*. Available at: <https://acpr.banque-france.fr/publications/rapports-annuels/chiffres-du-marche-francais-de-la-banque-et-de-l-assurance.html>

<sup>90</sup> List of foreign insurance firms authorised to operate in France under FPS. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/Agreements\\_et\\_autorisations/Procedures\\_secteur\\_assurance/Passeport\\_europeen\\_assurance/20170602-01-Entreprises-europeennes-exercant-en-LPS-en-France-depuis-leur-siege-social.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/Agreements_et_autorisations/Procedures_secteur_assurance/Passeport_europeen_assurance/20170602-01-Entreprises-europeennes-exercant-en-LPS-en-France-depuis-leur-siege-social.pdf)

<sup>91</sup> List of French insurance firms authorised to operate in EEA countries under FPS. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/Agreements\\_et\\_autorisations/Procedures\\_secteur\\_assurance/Passeport\\_europeen\\_assurance/20170206-02-Entreprises-francaises-exercant-en-LPS-dans-l-EEE.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/Agreements_et_autorisations/Procedures_secteur_assurance/Passeport_europeen_assurance/20170206-02-Entreprises-francaises-exercant-en-LPS-dans-l-EEE.pdf)

### *Cross-border sales*

According to a representative of the FFA, cross-border purchase is marginal for consumers. It may either be high-end products and services for a limited target population via FPS (e.g. life insurance), otherwise it is easier for the insurer to open a branch in the country (FOE).

The same interviewee reports that for car rental insurance abroad, the car renter is insured with a local insurance. The car rental insurance must include the compulsory insurance pursuant to the European obligation, or damage waiver.

For travel insurance, the FFA representative noted that the tour operator services are supposed to be covered by a civil liability insurance written under the local market (i.e. where the tour operator is located), and the consumer may opt for an extra travel insurance (i.e. add-on insurance) on top of that for his/her trip. Besides, the same interviewee explained that the consumer may be covered with his/her own civil liability insurance when renting a house abroad for a short duration, and sometimes also be covered by a premium credit card for damage or cancellation related to a travel.

According to an ECC representative, at cross-border level, the distribution channels depend on the circumstances. If the person lives close to the border, he/she might go directly to an insurance agency across border. Otherwise the main alternative channel for cross-border insurance is online sales but for very specific products such as car rental abroad or household insurance for second house abroad (e.g. using a French insurer for a house abroad or dealing with a foreign insurer for a house abroad while being in France). However, buying insurance products online, and especially cross-border products, is not always possible. In the study on the European insurance market<sup>92</sup> prepared by the ECC, simulations have been carried out to try to subscribe to insurance products online. Buying insurance products was only possible in 47% of the insurance websites.

### *Main factors limiting cross-border insurance purchases*

In the Study on the European insurance market published by the ECC<sup>93</sup>, simulations were carried out between Austria, Germany, France and the United Kingdom to see whether a consumer can purchase cross-border insurance products (here travel insurance, household insurance and motor insurance). 114 insurance contracts were tested and ECC investigators tried to subscribe to them. In 47% of the cases it was possible to subscribe online and in only 9.7% of the cases it was possible to subscribe to these contracts when living in a different country.

For the ECC, the supply has to be provided by insurers themselves but they encounter many obstacles for cross-border insurance sales:

- regulatory obstacles: differences in legislation so products need to be adapted to **the other countries' legislation; necessity to know local law and practice** with specialised lawyer.
- different insurance landscapes: some insurance covers are compulsory (e.g. decennial insurance in France) or public in one country and not in the other, liabilities can be different (the liability of the landlord and tenant are not always the same in the EU), as well as claim handling (which differs from one Member State

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<sup>92</sup> Franco-German ECC, 2014, Der europäische Versicherungsbinnenmarkt, Grenzüberschreitende Versicherungsverträge: Abschluss oder Ausschluss? Available at: [http://www.evz.de/fileadmin/user\\_upload/eu-verbraucher/PDF/Berichte/FINAL\\_Studie\\_Versicherungsbinnenmarkt.pdf](http://www.evz.de/fileadmin/user_upload/eu-verbraucher/PDF/Berichte/FINAL_Studie_Versicherungsbinnenmarkt.pdf)

<sup>93</sup> Franco-German ECC, 2014, Der europäische Versicherungsbinnenmarkt, Grenzüberschreitende Versicherungsverträge: Abschluss oder Ausschluss? Available at: [http://www.evz.de/fileadmin/user\\_upload/eu-verbraucher/PDF/Berichte/FINAL\\_Studie\\_Versicherungsbinnenmarkt.pdf](http://www.evz.de/fileadmin/user_upload/eu-verbraucher/PDF/Berichte/FINAL_Studie_Versicherungsbinnenmarkt.pdf)



to another and also within the different regions of a same country (e.g. France and Germany) and which is under slow harmonisation).

- economic obstacles: difficult to assess risks in a foreign market, insurers need cost benefit analysis, legal advice, statistics etc.
- commercial obstacles: the insurance market is already saturated in some countries so it is hard for new insurers to enter the market (e.g. in France the motor insurance market is really mature and competitive like in the United Kingdom, so in order to enter such markets, foreign insurers need to find a specialised niche or to have important financial resources).
- **consumers' habits: consumers are not used or not keen to purchase insurance products from another country' supplier, they might think that the foreign insurer does not know the domestic market or does not have physical agents in the country to talk to consumers. They do not know some terms which are specific to one Member State.**

According to a CLCV representative, the main reason why consumer demand for cross-border products is low, is the trust. Consumers prefer direct contact when buying insurance; they do not know the claim handling and appeal procedures abroad. Consumers **may not be familiar with terms which are specific to a certain country (e.g. "franchise")**. In border regions, consumers might be slightly more interested in cross border insurance, however as indicated by the CLCV representative, in France the main problem is actually that there is almost no cross-border offer, insurers do not propose cross-border insurance products via FPS. The difference in tax regimes is also an obstacle. DG JUST released a report on the legal obstacles to cross border sales including all the above arguments<sup>94</sup>. It is difficult to produce a standardised contract due to all these factors.

### *Interventions to increase cross-border demand*

The ECC has established comparisons of best practices with a special focus on France and Germany. For example, one of the best practices concerns natural disaster insurance, which exists in France for most households but only in 1/3 of the German households since household insurance is not compulsory in Germany. Motor insurance was also considered in this best practice assessment since in France many vehicles are driven without insurance<sup>95</sup>, while in Germany a vehicle cannot be registered without an insurance. The proof of motor insurance has been included in an electronic database since 2008, to which the registration company can have access. Via this system, registration companies are also informed if a driver terminates his/her motor insurance without taking a new one and may impose the immobilisation of the vehicle as long as the driver does not subscribe to a new insurance. These comparisons have been published on ECC website<sup>96</sup>.

No other initiative has been taken by public authorities or insurance professionals about cross-border sales according to interviewees.

According to the consumer association Institut National de la Consommation (INC)<sup>97</sup>, an important element to stimulate consumer demand for cross border insurance products is to enhance consumer trust. Consumers should have access to easily comparable offer and be well informed about all the terms and conditions, fees, guarantees, claim handling procedures and alternative dispute resolutions systems, in their language. In this view,

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<sup>94</sup> European Commission, 2014, Final Report of the Commission Expert Group on European Insurance Contract Law. Available at: [http://ec.europa.eu/justice/contract/files/expert\\_groups/insurance/final\\_report.pdf](http://ec.europa.eu/justice/contract/files/expert_groups/insurance/final_report.pdf)

<sup>95</sup> According to the ECC and the Fonds de garantie des assurances obligatoires de dommages (FGAO), in France between 370 000 et 740 000 vehicles are driven without insurance

<sup>96</sup> Franco-German ECC publications and best practices available at: <http://www.europe-consommateurs.eu/fr/publications/etudes/>

<sup>97</sup> Insight from INC answer to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)



pan-European comparison websites could be developed. Information campaigns could be developed by regulators or consumer organisations to raise awareness among consumers.

The ACPR<sup>98</sup> also proposes to follow the same rules as for the fourth Motor Directive (2000/26/CE), following which insurers designate representatives in charge of claim and complaint handling in the Member States where they are involved with FPS. Similarly, the FFA calls for a better use of the Points of Single Contact under Article 23 of the EU Services Directive (2006/123/EC) to provide information to consumers about the services requirements, consumer protection and redress procedures in other Member States.

## 1.2. Consumer decision-making in the non-life insurance market- evidence from France

### 1.2.1. Consumer understanding

The table below displays the results of the survey performed with insurance (both life and non-life) consumers by Capgemini on their satisfaction with their insurance contracts<sup>99</sup>. It shows a large improvement between 2014 and 2015, with the number of consumers reporting a positive experience doubling.

Table 12 : Capgemini results of insurance consumers experience in France

Year	Positive experience	Neutral experience	Negative experience
2015	56.8%	38.9%	4.3%
2014	28%	65%	7%

Source: Capgemini, 2015, World Insurance Report

According to the study, in France, consumers highly value **price, brand and "recommended policy best for my needs and budget."** They are actively dissatisfied with **loyalty bonuses** (even after purchase) and the ability to conduct business on a smartphone or tablet. One in five French customers also expresses dissatisfaction with around-the-clock access<sup>100</sup>.

For a CLCV representative, the level of consumer knowledge about insurance is insufficient. Consumers are not well aware of their covers and guarantees.

According to this CLCV interviewee, French consumers do not read insurance contracts which they find too long and complicated to understand. They prefer direct contact with a councillor (agent, broker), and they also prefer to resort to well-known established insurance companies rather than new or smaller companies, online providers or banks. Consumers use comparison websites to look for information and compare the different products, but they usually end up contacting directly an agent or a broker to get personalised advice and sign an insurance contract.

<sup>98</sup> Insight from ACPR answer to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>99</sup> Capgemini, 2015, World Insurance Report. Available at: <https://www.be.capgemini.com/resources/world-insurance-report-2015-from-capgemini-and-efma>

<sup>100</sup> Ernst & Young, 2014, Key findings from the EY Global Consumer Insurance Survey 2014 EMEIA. Available at: <http://www.ey.com/gl/en/industries/financial-services/insurance/ey-2014-global-customer-insurance-survey>

In its study on add-on insurance<sup>101</sup>, the consumer association UFC-que choisir denounces add-on insurance sales methods leading to poor awareness of consumers who sometimes do not know that they own add-on insurance and therefore do not use it. Plus, the association describes a limited interest of consumers for add-on insurance since they are already covered for some risks by other insurance contracts and because of the different exclusions of add-on insurance products. UFC-que choisir also denounces the high price of add-on insurance products and the low rate of claims compared to other insurance products.

### 1.2.2. Type of problems

According to a CLCV representative and the answer from INC to the Green paper on retail financial services consultation, there is a general problem about insurance education and understanding for consumers. Insurance contracts are complex and technical and consumers are often not familiar with all the potential terms and conditions. The definition of risks is related to the contract and may change from one provider to another. There is a lack of information or awareness raising initiative to help consumers find and understand better the insurance conditions.

For the CLCV interviewee, when consumers only choose insurance products for their low price, they may neglect to check that their needs are adequately covered and not pay enough attention to the covers and warranties included in the insurance. More generally, the interviewee points out the lack of awareness of consumers about the warranties included in their insurance contract, resulting in situation where consumers declare a claim for which they are not covered.

According to the CLCV representative, another problem is insurance duplication. There are two most common duplications of insurances. The first one concerns school insurance, which is often taken as a separate insurance while it may be already covered by civil liability insurance, or even included in the civil liability guarantee of household insurance). The second one concerns car rental or travel insurance and the covers included in a premium credit card, reports the same interviewee. Indeed, consumers are not always aware of the covers included in their premium credit cards and may take a travel or car rental insurance while they are already covered with their credit card. This shows a certain lack of information or awareness about insurance covered by premium credit cards.

A study on car rental performed by the consumer association "UFC—que choisir"<sup>102</sup> shows **that the main issue for consumers when purchasing car rental insurance online is the "pre-ticked boxes" for warranties, meaning that the consumer has to specifically un-tick the boxes to remove these extra warranties from the contract.**

In addition, **the study from "UFC-que choisir" denounces the non-functioning of some warranties of optional insurance products during the rental.**

In a study on extended warranty<sup>103</sup>, UFC-que choisir regrets that retailers often do not clearly inform the consumers about all the free legal warranties of a product, leading the consumers to believe that the only way to protect the product is to buy an optional extended warranty. Moreover, according to this study, retailers even tend to exaggerate the risks of breakdown of the product to convince the consumer to buy an extra extended warranty.

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<sup>101</sup> UFC-que choisir, 2013, Les grands défauts des petites assurances. Available at: <https://www.quechoisir.org/dossier-de-presse-assurances-affinitaires-les-grands-defauts-des-petites-assurances-n12377/?dl=15871>

<sup>102</sup> UFC-que choisir, 2015, Location automobile : Tarifs et pratiques toujours aussi peu louables ! Available at: [http://image.quechoisir.org/var/ezflow\\_site/storage/original/application/5b4de06369634a491c554f5ab632708c.pdf](http://image.quechoisir.org/var/ezflow_site/storage/original/application/5b4de06369634a491c554f5ab632708c.pdf)

<sup>103</sup> UFC-que choisir, 2016, Extension à 2 ans de la garantie légale : Une information du consommateur loin d'être garantie ! Available at: <https://www.quechoisir.org/dossier-de-presse-extension-a-2-ans-de-la-garantie-legale-une-information-du-consommateur-loin-d-etre-garantie-n12641/?dl=15939>

Following the 2013 survey on add-on insurance performed by CSA for FG2A, 70% of French consumers have a negative opinion of add-on insurance (in particular on extended warranties) and 90% of the respondents consider that the price of these insurance products is too high in relation to the warranties<sup>104</sup>.

In another survey on add-on insurance published in April 2016<sup>105</sup>, half of the French respondents declare not feeling well informed and expecting more transparency and information on the prices and conditions of the warranties as well as on claims handling.

### 1.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

Each insurance company receives every year a questionnaire from the ACPR to report the number of complaints received in a given year. In parallel, the Direction Générale de la Concurrence de la Consommation et de la Répression des Fraudes (DGCCRF) from the Economy and Finance Ministry receives complaints from consumers in all sectors, by phone, emails, mails and visits. Only 2.6% of the complaints received in 2013 and 2.8% of the complaints received in 2014 related to insurance (both life and non-life)<sup>106</sup>.

In addition, consumers can resort to alternative dispute resolution (ADR) via consumer associations, insurance companies and the Insurance Ombudsman. The two main insurance trade associations representing 99% of the companies, Fédération française des sociétés d'assurances (FFSA) and Groupement des entreprises mutuelles d'assurance (Gema), have both established an Insurance Ombudsman in 1993, dealing with the requests for mediation regarding their respective member companies. In September 2015, following the fusion of FFSA and Gema into the FFA and due to the European Directive of 21 May 2013<sup>107</sup> imposing the creation of a unique ADR applying to all insurance professionals and intermediaries, the two Insurance Ombudsman services merged. The Insurance Ombudsman can be seized by consumers to solve conflicts with their insurer, only after cases have been treated at the company level, the Ombudsman operating as a last resort before a trial. The Insurance Ombudsman submits recommendations ("**préconisations**") by phone, email, meeting, or more formal opinions ("**avis**") to both parties within 3 months in order to end the conflict. The Ombudsman publishes an annual activity report with information and figures on complaints.

The table below presents the evolution of the number of complaints related to insurance received by the ACPR, the DGCCRF and the requests for mediation received by the Insurance Ombudsman. Overall, we can observe a steady increase of the number of complaints and requests for mediation related to insurance between 2011 and 2015. Since requests for mediation to the Ombudsmen are supposed to be submitted after the cases have been handled at company level, there is an overlap between the complaints counted by ACPR and the requests for mediation to the Ombudsmen.

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<sup>104</sup> Laurent Thévenin, Les Echos, 2013, Assurance-voyage, portables, extensions de garanties : une image en berne. Available at: [http://www.lesechos.fr/23/01/2013/LesEchos/21360-134-ECH\\_assurance-voyage--portables--extensions-de-garanties---une-image-en-berne.htm#IBc7tPZ4sQKlxREA](http://www.lesechos.fr/23/01/2013/LesEchos/21360-134-ECH_assurance-voyage--portables--extensions-de-garanties---une-image-en-berne.htm#IBc7tPZ4sQKlxREA). 99

<sup>105</sup> Harris Interactive, 2016, les Européens et les garanties et assurances affinitaires. Available at: [http://harris-interactive.fr/opinion\\_polls/les-garanties-et-assurances-affinitaires-peuvent-elles-simplifier-la-vie-des-europeens/](http://harris-interactive.fr/opinion_polls/les-garanties-et-assurances-affinitaires-peuvent-elles-simplifier-la-vie-des-europeens/)

<sup>106</sup> DGCCRF, 2014, le Baromètre des réclamations 2014. Available at: [http://www.economie.gouv.fr/files/files/directions\\_services/dgccrf/documentation/barometre/barometre\\_reclamation2014.pdf](http://www.economie.gouv.fr/files/files/directions_services/dgccrf/documentation/barometre/barometre_reclamation2014.pdf)

<sup>107</sup> Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC

Table 13 : Complaints received related to insurance in France

Year	Complaints received by ACPR	Complaints received by DGCCRF	Requests for mediation received by the FFSA Insurance Ombudsman	Requests for mediation received by the Gema Insurance Ombudsman
2011	3,647	2,072	6,951	1052
2012	4,030	2,088	8,412	1297
2013	4,762	2,235	10,461	1730
2014	5,636	2,118	11745	1881
2015	7,383	N/A	N/A	N/A

Source: Insurance Ombudsman, Annual reports 2011-2015

The 2014-2015 report of the FFSA Insurance Ombudsman shows a large progression of mediation procedures: from 471 requests in 1995 to 11,745 in 2014. The progression is:

- + 21 % from 2011 to 2012
- + 25 % from 2012 to 2013
- + 30 % from 2013 to 2014

In 2014, 71% of the requests led to mediation, 39% of the requests were rejected (23.4% because they were sent back to internal procedure and 5.6% because they were not in the Ombudsman competences). 6,695 recommendations of the Ombudsman were addressed in 2014.

In 2014, 40.4% of the cases submitted to mediation involved property and liability insurance, of which: 12.8% for household, 10.9% for motor, 6.5% for extended warranty on products, 2.5% for travel, 2.2% for credit card, 0.4% for unpaid rent.

In the first half of 2015, 49.9% of the cases submitted to mediation involved property and liability insurance, of which: 15.6% for motor, 13.6% for household, 7.1% for extended warranty on products, 3.5% for credit card, 2.1% for travel, 1% for unpaid rent.

The FFSA Insurance Ombudsman noted that only 500 requests for mediation were received when he took office in 2000, while today more than 13,000 requests are received by his office per year<sup>108</sup>. According to him, this evolution shows that mediation has become more well-known and trusted by consumers over the years. He also notes an evolution of the outcome of the mediation process. Thus, at the beginning of his mandate, the **proportion of opinions ("avis") favourable to the insured was equal or superior to the unfavourable opinions**. However, today the Ombudsman observes an opposite tendency, with 70% of his opinions unfavourable to the insured<sup>109</sup>. In his view, an increase of the unfavourable opinions to the insured shows that their cases had already been resolved at lower level with their insurance company and that further mediation or litigation was not needed, which, for him, proves that the system is getting more efficient at insurance companies level. The Ombudsman opinions are not binding but 98% of them are followed by the insurance companies according to a trade association.

<sup>108</sup> FFSA Insurance Ombudsman, 2015, Annual Report 2014-2015. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>

<sup>109</sup> FFSA Insurance Ombudsman, 2015, Annual Report 2014-2015. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>

The FFSA Ombudsman reports many complaints for infringement of the obligation to inform and advise pursuant to the Insurance Intermediation Directive, in particular for add-on insurance. The Ombudsman also indicates that a recurrent subject of conflict is the evidence of the claim, in particular in case of theft<sup>110</sup>.

In 2011, the ACPR realised a survey among insurance companies to map their practices in terms of complaints handling<sup>111</sup>. 20% of the insurance companies declared not providing any information to their customers on complaint procedure and less than half of the companies handle complaints by phone, online or face-to-face. That same year, the ACPR published a recommendation on the treatment of complaints by insurance companies<sup>112</sup>, to harmonise the procedure and ensure that consumers are well informed about their right to submit complaints.

According to a representative of the consumer association CLCV, the most common complaints come from consumers who believe that they are covered for a warranty but discover that it is not the case when they make a claim, because they have not well read or understood the terms of their contract. For this interviewee from CLCV, there are also recurrent complaints about the estimation of damages when consumers need to prove the value of products (sometimes they cannot find the original bill, etc) or when the warranty is conditioned to the evidence of break-in. According to this interviewee, there are also complaints about comparison websites which abuse the notion of electronic signature and send contracts to consumers claiming that they have signed it electronically while the consumers are not aware and not willing of such instances.

#### *Overview of consumer complaints for household insurance*

The table below displays the distribution of requests for mediation received by the FFSA Ombudsman for household insurance and shows a large rise between 2011 and 2013 and a decrease afterwards.<sup>113</sup>

Table 14 : Requests for mediation received by the FFSA Ombudsman on household insurance

Object of request	2011	2012	2013	2014	First half 2015
multi-risk household	1,007	1,345	2,113	1,744	624
unpaid rent	N/A	N/A	N/A	95	45

Source: FFSA Ombudsman annual reports 2011-2015

The FFSA Ombudsman indicates that a recurrent subject of conflict is the evidence of the claim, in particular in case of theft<sup>114</sup>. Indeed, for household insurance, the warranty often

<sup>110</sup> FFSA Insurance Ombudsman, 2015, Annual Report 2014-2015. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>

<sup>111</sup> ACPR, 2013, Analyse des annexes du rapport interne sur la bonne application des règles de protection de la clientèle. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/revue-acp/201304-revue-de-l-autorite-de-contrôle-prudentiel-12.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/revue-acp/201304-revue-de-l-autorite-de-contrôle-prudentiel-12.pdf)

<sup>112</sup> ACPR, 2011, Recommandation sur le traitement des réclamations 2011-R-05/. Available at: [https://acpr.banque-france.fr/fileadmin/user\\_upload/acp/publications/registre-officiel/Recommandation-2011-R-05-de-l-ACP.pdf](https://acpr.banque-france.fr/fileadmin/user_upload/acp/publications/registre-officiel/Recommandation-2011-R-05-de-l-ACP.pdf)

<sup>113</sup> FFSA Insurance Ombudsman, 2015, 2014-2015 Annual Report. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>

<sup>114</sup> FFSA Insurance Ombudsman, 2015, Annual Report 2014-2015. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>

works only in case of break-in, which can be more and more difficult to prove with the **evolution of thieves' methods (e.g. break-in with fake keys)**.

For the Gema Insurance Ombudsman, the requests for mediation related to multi-risk household insurance concerned 265 cases in 2014, 274 in 2013, 163 in 2012<sup>115</sup>. The most common cases relate to the amount of claim payment, the role of experts evaluating claims and the limits of warranties<sup>116</sup>.

According to a representative of CLCV, there are recurrent complaints about the estimation of damages when consumers need to prove the value of products (sometimes they cannot find the original bill etc.) or when the **guarantee is conditioned to the evidence of "break in" for household insurance) which is sometimes hard to prove**, as mentioned above.

According to the European Commission 2016 Consumer Market Scoreboard<sup>117</sup> and as illustrated in Table 10 of Annex I, 5.4% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 5.8 on a 0-10 range. 74.9% of the respondents having experienced at least one problem complained, including 24.4% to their retailer/provider and 7% to a third-party complaint body. Thus, the share of French consumers having experienced problems and their level of detriment are close to the EU 28 average. However, the share of respondents who complained after experiencing a problem is lower than the EU 28 average and, in particular, the share of consumers who complained to retailers/producers is less than half the EU 28 average.

#### *Overview of consumer complaints for motor insurance*

The table below displays the distribution of requests for mediation received by the FFSA Ombudsman for motor insurance and shows a large rise between 2011 and 2013 and a decrease afterwards.

Table 15 : Requests for mediation received by the FFSA Ombudsman on motor insurance

	2011	2012	2013	2014	First half 2015
Motor insurance	1,334	1,648	2,175	1,485	716

Source: FFSA Ombudsman annual reports 2011-2015

The FFSA Ombudsman reports that a recurrent subject of conflict is the evidence of the claim, in particular in case of theft<sup>118</sup>. Indeed, for motor insurance, the warranty often works only in case of break-in, which can be more and more difficult to prove with the **evolution of thieves' methods (e.g. break-in with fake keys)**.

The Gema Insurance Ombudsman indicated that he received 310 cases related to motor insurance in 2014, 337 in 2013 and 268 in 2012<sup>119</sup>. He reports that the most common cases for motor insurance relate to vehicle theft (and the warranties conditions and

<sup>115</sup> Gema Insurance Ombudsman, 2014, Annual Report. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportdumediategema2014.pdf>

<sup>116</sup> Gema Insurance Ombudsman, 2014, Annual Report. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportdumediategema2014.pdf>

<sup>117</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAZZfc/.opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>118</sup> FFSA Insurance Ombudsman, 2015, Annual Report 2014-2015. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>

<sup>119</sup> Gema Insurance Ombudsman, 2014, Annual Report. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportdumediategema2014.pdf>

exclusions), the evaluation of liabilities during an accident (evidence, law applied to determine the liable person) and the amount of claim payment proposed by the insurer. According to an interviewee from CLCV, there are recurrent complaints about the estimation of damages when consumers need to prove the value of products (sometimes they cannot find the original bill etc.) or when the guarantee is conditioned to the evidence of **“break in” for motor insurance, which is sometimes hard to prove.**

According to the European Commission 2016 Consumer Market Scoreboard<sup>120</sup> and as illustrated in Table 10 of Annex I, 3.9% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 6.8 on a 0-10 range. 76.5% of the respondents having experienced at least one problem complained, including 65.7% to their retailer/provider. Thus, the share of French consumers having experienced problems and their level of detriment are close to the EU 28 average, as well as the percentage of respondents who complained after experiencing a problem. However, none of the respondents complained to third party complaint bodies compared to 12.4% for the EU 28 average.

#### *Overview of consumer complaints for car rental insurance*

No data specific to car rental insurance products were available.

#### *Overview of consumer complaints for add-on insurance*

In 2014, 763 cases submitted to the FFSA Ombudsman for mediation involved **extended warranty on “nomadic” products**, 293 related to travel insurance and 258 to credit card add-on insurance services<sup>121</sup>.

In the first half of 2015, 326 cases submitted to the FFSA Ombudsman for mediation **involved extended warranty on “nomadic” products, 160 related to credit card add-on insurance services and 96 to travel insurance**<sup>122</sup>.

The FFSA Ombudsman reports many complaints for infringement of the obligation to inform and advise pursuant to the Insurance Intermediation Directive, in particular for add-on insurance. Since this type of product is often sold by sale professionals who do not have experience in the insurance sector, many consumers complain of the lack of information and advice.

#### *Cross-border consumer complaints*

For cross-border complaints, the ECC receives complaints, analyses the dispute and when it has grounds, proposes an amicable settlement. It is worth noting that there is only one ECC for France and Germany. This joint ECC is based at the border, in Kehl, and deals with cross-border complaints of French and German consumers with any other European country’s insurance company. The ECC gets in touch with the insurance professional of the other country via the ECC office in that country and tries to reach an amicable settlement to the dispute. ECC action is extra judiciary. In case the dispute cannot be solved by an amical settlement, ECC can recommend other recourses to the consumers (ombudsman, judicial system, simplified procedure, etc.).

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<sup>120</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>121</sup> FFSA Insurance Ombudsman, 2015, 2014-2015 Annual Report. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>

<sup>122</sup> FFSA Insurance Ombudsman, 2015, 2014-2015 Annual Report. Available at: <http://www.mediation-assurance.org/medias/mediation-assurance/rapportsmediateur/rapportmediateurffsa2014.pdf>



At cross-border level, the ECC interviewee reported few complaints due to the low amount of cross border insurance sales. According to him, between 1% and 2% of all complaints dealt with by the ECC network concern cross-border insurance products. These complaints concern mainly travel insurance, motor insurance (e.g. accident abroad), and household insurance (e.g. for holiday house abroad). Some complaints are also specific to the **countries concerned by the complaint (e.g. “decennial” insurance imposed on construction builders which exists in France but not in Germany)**.

For the ECC representative, the main problems encountered by consumers are linguistic issues, transparency issues regarding the scope of the products, problem of understanding **of the contract’s features or lack of cross-border offer for specific needs (e.g. to insure a house abroad with a French insurer)**.

Cross-border insurance disputes are also dealt with through FIN-NET, the financial dispute resolution network of national out-of-court complaint schemes in the EEA countries that are responsible for handling disputes between consumers and financial services providers. The FFA<sup>123</sup> considers that the extent of **FIN-NET’s involvement in cross-border disputes** has consistently increased.

#### 1.2.4. Access to information

According to the CLCV representative, there is a number of comparison websites (leLynx.fr, lesFurets.com) which allow consumers to compare different insurance products. Many insurance companies also develop information on their offer and conditions online. However, even if the information is accessible, the consumer does not always have the knowledge and skills to analyse and compare it and make a sensible choice. Personal and neutral advice by insurance professionals is therefore key for consumers to make an informed decision.

For consumer associations answering the Green Paper on retail financial services consultation, overall the most popular sources of information for consumers are **comparison websites and direct companies’ websites, as well as information and advertisement provided on TV and other media**.

#### 1.2.5. Switching behaviour

The table below presents the evolution of the switching rate for all insurance. Switching rate has increased by 5 percentage points between 2011 and 2014.

Table 16 : All insurance switching rate in France

Year	All insurance switching rate (% per year)
2011	25.5%
2012	27.8%
2013	29.2%
2014	30.2%

Source: ACPR, 2014, France Bank and Insurance figures

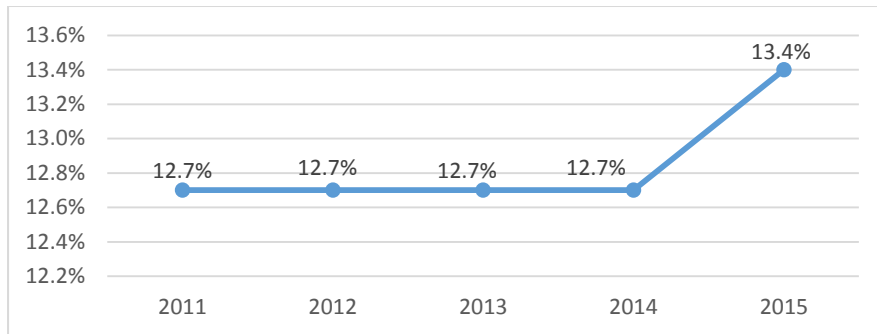
<sup>123</sup> Insight from FFA answer to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)



According to interviewees from the consumer associations Consommation Logement Cadre de Vie (CLCV) and the European Consumer Centre (ECC), the switching rate is quite low since consumers tend to stick to their insurance company, even if it is common for a consumer to purchase several insurance products from several insurance companies<sup>124</sup>. These interviewees consider that switching rates may increase with internet and with the 2014 Hamon Law allowing to terminate a contract at any time after one year of subscription. They also believe that further action to facilitate comparability and switching could be done at EU level, such as European comparison websites.

The figure below presents the evolution of the switching rate for multi-risk household insurance. After a stable rate between 2011 and 2014, the switching rate has increased in 2015 following the implementation of the Hamon law, which facilitates earlier switching of insurer<sup>125</sup>.

Figure 13: Switching rate for multi-risk household insurance in France

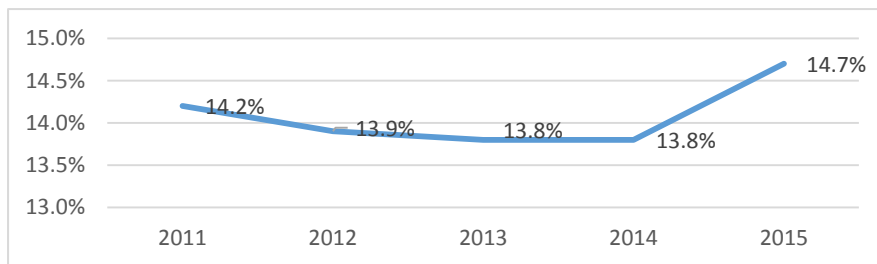


Source: FFA, 2016, Insurance scoreboard for 2015

The average length for holding and renewing the same multi-risk household insurance contract, of 8 years between 2011 and 2014, decreased to 7.5 years in 2015<sup>126</sup>.

The figure below presents the evolution of the switching rate for motor insurance. It shows a slow decrease between 2011 and 2014 and an important rise in 2015, following the implementation of the Hamon law, which facilitates earlier termination of motor insurance contracts.

Figure 14: Motor switching rate in France



Source: FFA, 2016, Insurance scoreboard for 2015

<sup>124</sup> CLCV, 2012, Enquête CLCV, les consommateurs et leurs assurances. Available at: <http://www.clcv.org/images/CLCV/fichiers/banqueassurancefinancier/Enquete-assurance-sept2012.doc>

<sup>125</sup> FFA, 2016, Insurance scoreboard for 2015. Available at: <http://www.ffa-assurance.fr/file/865/download?token=QaMYDxcf>

<sup>126</sup> FFA, 2016, Insurance scoreboard for 2015. Available at: <http://www.ffa-assurance.fr/file/865/download?token=QaMYDxcf>

The average length during which a motor insurance policyholder owns and renews the same contract decreased by 6 months in 2015, to be around 7 years<sup>127</sup>.

According to a representative of CLCV, switching rates may increase with internet and with the 2014 Hamon Law allowing to terminate a contract at any time after one year of subscription.

#### 1.2.6. Consumer awareness

The following examples aimed at increasing consumer awareness have been identified in France:

- **The FFA created a webpage (“l’Assurance Pratique”<sup>128</sup>)** providing financial education information to consumers with specific thematic fiches and frequently asked questions.
- The Association de Lutte contre la Fraude à l’Assurance<sup>129</sup> (ALFA) implemented an “observatory” to monitor fraudulent practices in the French insurance sector in order to provide qualitative analysis of the phenomenon, especially in view of identifying new operating modes. ALFA participated in the standardisation of training and certification for private investigators linked to household insurance.
- At cross-border level, the ECC also proposes comparison of best practices across Member States on its website<sup>130</sup>.

According to representatives from the FFA and CLCV, more insurers intend to adapt their products and their presentation to make it more understandable for consumers (e.g. shorter contract, more reader friendly presentation with clear chapters and colours, etc.) and more tailored to their needs (depending on the age, sociology, patrimony, lifestyle, cover needs).

Since the transposition of the Directive on Insurance Mediation (2002/92/EC), there is an obligation in France to subscribe insurance contracts based on a questionnaire with closed questions, in order to take into account, the specific needs of the consumers and to simplify the subscription process.

In France, the Cour de Cassation has recently ruled that a pre-printed declaration inserted in the insurance contract signed by the policyholder does not constitute a valid pre-contractual questionnaire<sup>131</sup>, thus preventing the insurer from relying on such declaration to prove the policyholder’s bad faith<sup>132</sup>.

### 1.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from France

#### 1.3.1. Factors potentially leading to problems with consumer decision-making

**According to the consumer associations INC’s answer to the Green Paper on retail** financial services consultation, the multiplication of information online and in the media without clear structure or guidance can hamper the capacity of consumers to analyse the

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<sup>127</sup> FFA, 2016, Insurance scoreboard for 2015. Available at: <http://www.ffa-assurance.fr/file/865/download?token=QaMYDxcf>

<sup>128</sup> FFA, Assurance Pratique – Info Assurés. Available at: [http://www.ffa-assurance.fr/infos-assures?parent=74&f\[0\]=field\\_infos\\_assures%253Aparents\\_all%3A74](http://www.ffa-assurance.fr/infos-assures?parent=74&f[0]=field_infos_assures%253Aparents_all%3A74)

<sup>129</sup> ALFA website: <http://www.alfa.asso.fr/>

<sup>130</sup> Franco-German ECC publications and best practices available at: <http://www.cec-zev.eu/index.php?id=26>

<sup>131</sup> Cour de Cassation-Chambre criminelle, 2012, n° 11-81.647. Available at: <https://www.legifrance.gouv.fr/affichJuriJudi.do?oldAction=rechJuriJudi&idTexte=JURITEXT000025293791&fastReqId=581700336&fastPos=1>

<sup>132</sup> European Commission, 2014, Final Report of the Commission Expert Group on European Insurance Contract Law. Available at: [http://ec.europa.eu/justice/contract/files/expert\\_groups/insurance/final\\_report.pdf](http://ec.europa.eu/justice/contract/files/expert_groups/insurance/final_report.pdf)

information and make the right decision. The lack of harmonisation of the insurance offer in terms of presentation, conditions and definitions, can complicate the comparison between different products for the consumer. Overall, the different stakeholders observed that consumers are more reassured by direct contact with insurance professionals before subscribing to an insurance contract.

According to the CLCV interviewee, for add-on insurance the lack of choice, added to the poor expertise of the salesperson who is principally in charge of selling the main product result in difficulties for consumers to make a free and informed decision. There is often duplicate cover from a premium credit card and add-on insurance but neither the consumer nor the add-on insurance seller are really aware of the guarantees and conditions included in them and do not realise the duplication.

### 1.3.2. Remedies that have been proposed or put in place

The FFA has taken steps to clarify contracts and notably add-on insurance contracts by harmonising definitions. The FFA has proposed a series of definitions (e.g. violent robbery) to its members so they can use them consistently.

The Comité Consultatif du Secteur Financier (CCSF) was established by the Banque de France with professionals from bank and insurance sectors and consumer associations. The CCSF issues opinions and recommendations on measures relevant for the financial and insurance sector and its consumers. These opinions are invitations to professionals to take into account some precautions or follow the same principles. The CCSF has issued several opinions on non-life insurance:

- Opinion of 28 June 2011<sup>133</sup> on the conditions to better inform the consumer about the tacit renewal of the contract (expiration notice to be received 20 days in advance with a specific and harmonised explanatory text) pursuant to the Chatel law. Insurers have complied to these obligations and the FFA reports that the feedback from consumers is good.
- Opinion of 10 May 2012<sup>134</sup> on common principles and methods for comparison websites (e.g. transparency of the status of the website, its partners, its economic links with insurers, data protection, criteria to present offers) which has been used to establish a professional charter co-signed by nearly all the comparison websites.
- Opinion of 18 November 2014<sup>135</sup> **related to the Hamon law's provision allowing the consumer to terminate an add-on insurance contract within 14 days if he/she is already covered for the same risks.** The CCSF recommends making this information clear to consumers in a simple version including examples.
- Opinion of 24 September 2015<sup>136</sup> on the earlier termination of insurance contracts after one year allowed by the Hamon law. The CCSF recommends adding a specific text on the expiration notice, to be adopted by all insurers by 1<sup>st</sup> June 2016.

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<sup>133</sup> Avis du Comité consultatif du secteur financier sur les modalités de dénonciation de la tacite reconduction des contrats d'assurance régis par la loi Chatel du 28 janvier 2005, CCSF, 28 June 2011 [http://www.banque-france.fr/ccsf/fr/publications/telechar/avis\\_r/avis-ccsf-modalites-denonciation-tacite-reconduction-contrats-assurance-loi-Chatel-28-01-2005.pdf](http://www.banque-france.fr/ccsf/fr/publications/telechar/avis_r/avis-ccsf-modalites-denonciation-tacite-reconduction-contrats-assurance-loi-Chatel-28-01-2005.pdf)

<sup>134</sup> Avis du Comité consultatif du secteur financier pour renforcer la transparence et la qualité des comparateurs d'assurances de dommages sur Internet, CCSF, 10 May 2012 [http://www.banque-france.fr/ccsf/fr/publications/telechar/avis\\_r/avis-du-comite-consultatif-du-secteur-financier-renforcement-comparateurs-assurances-dommages-internet.pdf](http://www.banque-france.fr/ccsf/fr/publications/telechar/avis_r/avis-du-comite-consultatif-du-secteur-financier-renforcement-comparateurs-assurances-dommages-internet.pdf)

<sup>135</sup> Avis du Comité consultatif du secteur financier sur les mesures relatives à l'information du souscripteur de certains contrats d'assurance affinitaire, CCSF, 18 November 2014 [http://www.banque-france.fr/ccsf/fr/publications/telechar/avis\\_r/CCSF-Avis-renonciation-assurance-affinitaire.pdf](http://www.banque-france.fr/ccsf/fr/publications/telechar/avis_r/CCSF-Avis-renonciation-assurance-affinitaire.pdf)

<sup>136</sup> Avis du Comité consultatif du secteur financier sur la résiliation infra-annuelle de certains contrats d'assurance de dommages, CCSF, 24 September 2015 [http://www.banque-france.fr/ccsf/fr/publications/telechar/avis\\_r/CCSF-Avis-resiliation-infra-annuelle.pdf](http://www.banque-france.fr/ccsf/fr/publications/telechar/avis_r/CCSF-Avis-resiliation-infra-annuelle.pdf)

In 2006, a judgement of the Cour de Cassation requested insurers to separate the information notice from the general conditions, which was not always the case before.

The CLCV is preparing an initiation training on consumption rights with a part on insurance.

Consumer associations answers to the Green Paper on retail financial services consultation advocate more product simplification and transparency on the different conditions and guarantees included. They propose a standardisation of the products presentation and of comparison tools to allow better comparison, as well as more proactive and independent advice from insurance professionals to allow consumers to make an informed decision.

The IDD, currently under transposition, introduces a Product Information Document (PID) for non-life insurance products aiming to provide consumers with standardised and understandable information to be able to compare different products throughout Europe. The IDD also regulates conduct of business rules for the sale of all insurance products, including add-on insurance products. Overall, several Directive and Regulations under transposition (MCD, PAD, DSP2, IDD, PRIIPs) aim at harmonising the conditions of distribution and at improving products comparability with a number of obligations of information and explanation linked to products to adapt them to consumer needs.

The Hamon Law gave the right to insured consumers to cancel a multi-risk household or motor insurance contract at any time after the first year with one month's notice. To ensure the continuity of consumer protection, the old and new insurers deal directly with each other for the takeover of the insurance contract. A professional agreement was approved in January 2015 by the FFSA and GEMA (Assureurs Mutualistes) to facilitate the necessary formalities that must be carried out between the new and old insurer, including, for example, mandatory information that needs to be included in the letter between insurers that will secure risk identification.

To make it easier for policyholders to report a motor accident, the French insurers launched **an official free mobile phone application ("e-constat") on 1 December 2014**<sup>137</sup>. This application allows policyholders to report their motor accidents directly to their insurers from a smartphone. The application can also speed up the processing and settlement of claims.

Due to the numerous complaints on add-on insurance, a federation of add-on insurance (Fédération des garanties et assurances affinitaires – FG2A<sup>138</sup>) was founded in 2012 to structure add-on insurance practice and better inform consumers. The FG2A created a **label "insurance quality and services" for add-on insurance products**, valid for 3 years and attributed following the assessment of 30 criteria and an audit conducted by Bureau Veritas Certification.

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<sup>137</sup> E-constat auto, available at: <http://www.e-constat-auto.fr/>

<sup>138</sup> Fédération des garanties & assurances affinitaires, available at: <http://www.fg2a.com/>

## 2. Country Report: Germany

### 2.1. Non-life insurance market

#### 2.1.1. Non-life insurance

##### *Overview of the national market*

In Germany, the insurance market has well weathered the effects of the financial crisis in comparison with other major European countries. The German insurance sector benefits from a strong domestic economy and is fully recovered from the large wave of natural catastrophes in 2013, when non-life insurance claims scaled up to 7 billion EUR within a few months<sup>139</sup>.

Germany is, after the UK, the EU country with the largest number of insurance companies – 560. In 2014, the five largest insurance companies in Germany had 44% of the market share, their gross written premiums amounted to 2,682.1 million EUR. The ten largest account for 63% of the total market while the largest 15 insurance companies cover almost three quarters of the market.<sup>140</sup> 206 of the insurance companies offer non-life (Schaden/Unfall) insurance products.

Table 17: Market concentration of non-life insurance in Germany (market share as %, based on gross earned premium, excluding health)

	Individual insurers		Insurance groups	
	Market share as %			
	2012	2013	2012	2013
5 largest companies	32.70	32.53	44.18	44.29
10 largest companies	46.35	46.28	62.62	63.05
15 largest companies	56.96	56.81	73.86	74.04

Source: GDV, 2015, Statistical Yearbook of German Insurance

Insurance companies providing non-life products have different legal forms. In 2013, 66% of them are joint stock companies and have 86% of the total market share. Joint stock companies include companies which, due to ownership structure, are part of the public sector and companies whose shareholders are mutual insurance associations<sup>141</sup>.

<sup>139</sup> GDV, 2013, German insurers post a respectable business result in 2013 in a challenging environment. Available at: <http://www.en.gdv.de/2014/03/german-insurers-post-a-respectable-business-result-in-2013-in-a-challenging-environment/>

<sup>140</sup> GDV, 2015, Statistical Yearbook of German Insurance. Available at: [http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical\\_Yearbook\\_2015.pdf](http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical_Yearbook_2015.pdf)

<sup>141</sup> GDV, 2015, Statistical Yearbook of German Insurance. Available at: [http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical\\_Yearbook\\_2015.pdf](http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical_Yearbook_2015.pdf)

Table 18: Property &amp; casualty (non-life) insurance companies by legal form in Germany

Year	Joint stock companies	Mutual insurance associations	Insurance Institutions under public law	Other
2011	147	58	10	3
2012	144	59	10	3
2013	143	59	10	3
Market share as % <sup>142</sup>				
2011	86.2	10.2	2.8	0.8
2012	85.6	10.8	2.8	0.8
2013	86.0	10.4	2.8	0.7

Source: GDV, 2015, Statistical Yearbook of German Insurance

In 2014, the 3 biggest non-life insurance companies were Allianz (16,194 million EUR GWP), Ergo (8,971 million EUR GWP) and AXA (6,874 million EUR GWP)<sup>143</sup>.

In 2014, households and companies for the first time held more than 300 million property and casualty insurance agreements (non-life insurance products). Property and casualty insurance covers an enormous range of risks for individuals and companies—from bicycles to wind turbines. Of the 301 million policies in private and commercial property and casualty insurance, over 110 million risks are insured in motor insurance. 54 million agreements are attributable to private property assurance, above all for protection against damage to contents and homes. Table 19 provides the number of contracts sold between 2011 and 2014.

Table 19: Number of contracts sold by class of business in Germany (in million)

Year	Total primary insurance of	Life	Health	Property & Casualty
2011	421.0	93.6	31.5	296.0
2012	423.3	93.0	32.0	298.3
2013	423.9	91.8	32.4	299.7
2014	426.4	92.5	32.8	301.2

Source: GDV, 2015, Statistical Yearbook of German Insurance

In Germany, the non-life insurance market (Property & Casualty insurance) includes the following product categories:

- private property insurance:
  - comprehensive insurance on buildings

<sup>143</sup> Insurance Europe, 2016, Structural Data. Available at: [http://www.insuranceeurope.eu/sites/default/files/assets/Structural\\_Data.xlsm](http://www.insuranceeurope.eu/sites/default/files/assets/Structural_Data.xlsm)

- comprehensive insurance on contents
- non-private property insurance:
  - industrial / commercial / agricultural property insurance
  - engineering insurance / EI-BI<sup>144</sup>
- Marine and aviation insurance
- Credit, surety and fidelity insurance
- General liability insurance
- Total of motor insurance
  - motor vehicle TPL
  - motor vehicle full own damage
  - motor vehicle partial own damage
  - motor accident
- Private accident insurance
- Legal expenses insurance
- Roadside assistance

Non-life insurance density in Germany in 2014 was 772 EUR/person, after a very slight increase from 2013 of 12.0 EUR. The table below shows the penetration and density of the whole non-life insurance sector in Germany between 2011 and 2014. The penetration rate of non-life insurance sector increased in 2012 and 2013 by 0.3% in both years, remaining stable since 2013. In 2014, insurance penetration for non-life insurance product remained stable at 2.16%, accounting for 62.6 EUR billion EUR of Gross Written Premium (GWP)<sup>145</sup>.

Table 20: Penetration and density of the non-life insurance sector in Germany

Year	Insurance density (in EUR)	Insurance penetration (as %)
2011	705	2.10
2012	728	2.13
2013	750	2.16
2014	772	2.16

Source: GDV, 2015, Statistical Yearbook of German Insurance

The regulatory framework of the German insurance industry includes an insolvency protection system for life, health and motor vehicle third party liability insurers as well as strict data protection requirements. Moreover, the design of insurance products is subject to numerous legal provisions, such as the Insurance Contract Act<sup>146</sup> (ICA) and the Insurance Supervision Act<sup>147</sup> which have to be followed by German insurance companies.

The 2015 amendment of the Insurance Contract Act specifies that insurers can amend their general insurance conditions for old contracts drafted before the 1st January 2009, if the conditions of old insurance contracts deviate from the provisions of the Insurance Contract Law. Insurers need to inform the policyholder of the changed insurance conditions at least one month prior to the change. This amendment does not change the actual requirements to be followed by the insurers. It explains the validity of old contracts and

<sup>144</sup> EI-BI stands for Engineering insurance plus business interruption insurance

<sup>145</sup> Insurance Europe, 2016, Non-life insurance data. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

<sup>146</sup> Versicherungsvertragsgesetz, 2008. Available at: [https://www.gesetze-im-internet.de/englisch\\_vvg/englisch\\_vvg.html](https://www.gesetze-im-internet.de/englisch_vvg/englisch_vvg.html)

<sup>147</sup> Gesetz über die Beaufsichtigung der Versicherungsunternehmen, 2015. Available at: [http://www.gesetze-im-internet.de/vag\\_2016/](http://www.gesetze-im-internet.de/vag_2016/)

changes to be conducted by insurers, if insurance contracts do not follow the current Insurance Contract Act obligations.

The Insurance Contract Act<sup>148</sup> introduces an entirely new principle which limits the ability of the insurance provider to discharge its liability. The statutory materials list ten major issues at the heart of the law reform<sup>149</sup>, among them the abolition of the so-called all-or-nothing principle and its replacement by a rule of proportionality. The old all-or-nothing principle discharged insurers of their liability altogether in specific situations. The statutory materials mention, for instance, the discharge of liability in cases of causation of loss (ex § 61 ICA 1908) and in cases of breach of duties (Obliegenheiten), including breach of the duty of disclosure (ex § 21 ICA 1908), of duties relating to an aggravation of risk (ex § 25 ICA 1908), of contractually imposed Obliegenheiten (ex § 6 ICA 1908), etc. With the new German Insurance Contract Act 2008, the ability of an insurer to discharge its liability is limited, since the reduction of insurance compensation must be proportionate to the degree of fault of the policyholder. The right of the insurer to reduce the compensation is limited to cases in which the policyholder has acted with gross negligence<sup>150</sup>, while in cases of ordinary negligence, the entire amount of compensation will be payable. In contrast, the insurer will be fully discharged in cases of intentional or fraudulent behaviour by the policyholder<sup>151</sup>.

Pursuant to Sections 6 and 7 of the Insurance Contract Act, the insurance provider must inform the consumer about the terms and conditions of the contract and of the revocation procedure.

Pursuant to Sections 8 and 9 of the Insurance Contract Act, the insured is entitled to revoke his/her contractual declaration within two weeks following receipt by him/her of the full contractual documentation. The law obliges the insurer to instruct the policyholder on his/her right to revoke and the legal consequences of his/her revocation at the time when the contract documentation is made available to him/her. If the policyholder revokes the contract after the coverage commenced, the insurer is obliged to return the premium pro rata for the remaining insurance period. If the policyholder was not duly informed and instructed about his/her revocation right, the insurer also has to refund the premiums paid for the first year of coverage, unless the policyholder has already made a claim under the policy.

The right of revocation is excluded in the following cases:

- **an insurance contract is for less than one month's duration;**
- an insurance contract is for preliminary cover, unless via distance selling;
- where an insurance contract is concluded with a pension insurer, unless via distance selling;
- large risks.

Pursuant to Section 11 of the Insurance Contract Act, tacit renewal provisions may only apply for one year each period<sup>152</sup>. Where a policy has no expiry date, it may only be cancelled per the end of the current period of insurance. The insurer and the policyholder may agree to waive the cancellation right for up to two years. The cancellation period is a maximum of three months and a minimum of one month. Contracts with a pre-agreed

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<sup>148</sup> Versicherungsvertragsgesetz (Insurance Contract Act), 2008. Available at: [https://www.gesetze-im-internet.de/englisch\\_vvg/englisch\\_vvg.html](https://www.gesetze-im-internet.de/englisch_vvg/englisch_vvg.html)

<sup>149</sup> Proportionality in the new German Insurance Contract, 2008. Available at: <http://repub.eur.nl/pub/51384/Volume05Issue02-Heiss.pdf>

<sup>150</sup> § 26(1) 2, § 28(2) 2, § 81(2), § 82(3) 2 and § 86(2) 3 ICA 2008

<sup>151</sup> § 26(1) 1, § 28(2) 1, § 81(1), § 82(3) 1 and § 86(2) 2 ICA 2008

<sup>152</sup> If, in the case of an insurance agreement for a fixed period, the possibility of renewal is agreed in advance in case the insurance agreement is not terminated prior to the end of the policy period, the renewal shall be void insofar as it refers to a period of more than one year.



duration of more than 3 years may be cancelled by the policyholder at the end of the third year or of each subsequent year with a notice period of three months.<sup>153</sup>

According to Section 12 of the Insurance Contract Act, the period of insurance shall be one year unless the insurance premium is determined for shorter periods.

Division 7 of the Insurance Contract Act defines the obligations of insurance intermediaries and their duties to inform the consumer.

The Insurance Supervision Act was amended in 2015, in order to transpose the European Solvency II Directive into German law. Thus, the actual Insurance Supervision Act reflects two systems: one for undertakings that fall within the scope of Solvency II and one for companies that are not subject to the European supervisory regime. The Act to Modernise Financial Supervision of Insurance Undertakings entered into force on 1 January 2016, with the exception of a provision which came into effect immediately and allows BaFin, among other things, to issue certain supervisory authorisations in anticipation of Solvency II.<sup>154</sup>

The Insurance Distribution Directive (IDD) replaces the current Insurance Mediation Directive, enhancing the regulation of insurance sales and addressing concerns over the patchwork of national regulations<sup>155</sup>. In Germany, the IDD is being implementing and will be transposed into the German law before 2018.

In Germany, the product information document requirement has been in place since 2007 under the Insurance Information Regulation<sup>156</sup> (Versicherungsinformationsordnung).

According to an interviewee from the Federal Financial Supervisory Authority (BaFin), the IDD will improve insurance products oversight and governance.

There are general rules that apply to all insurance companies<sup>157</sup> relating to taxation. These taxes include premium tax and parafiscal tax (also called fire protection tax). For B2C and B2B fire insurance, the premium tax is of 22% on 60% of the premium and the parafiscal tax is of 22% on 40% of the premium. Contributions not higher than 5,500 EUR to private fire damage supporting funds are exempt of tax. For residential building insurance, the premium tax is of 19% on 86% of the premium, while the parafiscal tax is of 19% on 14% of the premium. For Home content insurance, the premium tax is of 19% on 85% of the premium, while the parafiscal tax is of 19% on 15% of the premium. Important information on both types of taxes is illustrated in the table below:

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<sup>153</sup> Lloyd's German Office, 2008, the New German Insurance Act. Available at: [http://www.lloyds.com/~media/lloyds/archive/marketbulletin/market%20bulletins/2007\\_2008/y4100.pdf](http://www.lloyds.com/~media/lloyds/archive/marketbulletin/market%20bulletins/2007_2008/y4100.pdf)

<sup>154</sup> BAFIN, 2015, Insurance Supervision Act: Amendment promulgated in the Federal Law Gazette. Available at: [http://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Meldung/2015/meldung\\_150410\\_vag-nouvelle\\_solvency\\_II\\_en.html](http://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Meldung/2015/meldung_150410_vag-nouvelle_solvency_II_en.html)

<sup>155</sup> Verordnung zur Aufhebung von Verordnungen aufgrund des Versicherungsaufsichtsgesetzes, 2015. Available at: [http://www.bundesfinanzministerium.de/Content/DE/Downloads/Gesetze/2015-09-29-aufhebung-vo-versicherungsaufsichtsgesetz.pdf?\\_\\_blob=publicationFile&v=2](http://www.bundesfinanzministerium.de/Content/DE/Downloads/Gesetze/2015-09-29-aufhebung-vo-versicherungsaufsichtsgesetz.pdf?__blob=publicationFile&v=2)

<sup>156</sup> Verordnung über Informationspflichten bei Versicherungsverträgen, 2007. Available at: [http://www.gesetze-im-internet.de/vvg-fov/\\_4.html](http://www.gesetze-im-internet.de/vvg-fov/_4.html)

<sup>157</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.commercialriskeurope.com/uploads/files/databank/Indirect-Taxation-Ins-Eur.pdf>

Table 21: Insurance indirect taxation in Germany

Premium Tax	Fire protection tax
<ul style="list-style-type: none"> <li>• The premium tax is levied in addition to the actual premium and invoiced to the policyholder</li> <li>• From 1 January 2014 insurers are obliged to show the tax-rate, tax-amount and tax-number by the tax authority on the invoice.</li> <li>• Frequency of payment: monthly, payable within 15 days following the end of the month (or tax return period)</li> </ul>	<ul style="list-style-type: none"> <li>• Tax amount is not levied in addition to the actual premium but is calculated from the amount</li> <li>• Frequency of payment: monthly, payable within 15 days following the end of the month (or tax return period)</li> </ul>

Source: Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe

Additional rules apply to insurance companies depending on the method of establishment of the insurance companies: insurer established in Germany, insurer not established in Germany and not established in the European Economic Area (EEA) and Insurer established in the EEA operating by way of Freedom of Services (FOS). Some of the rules and obligations are listed below:

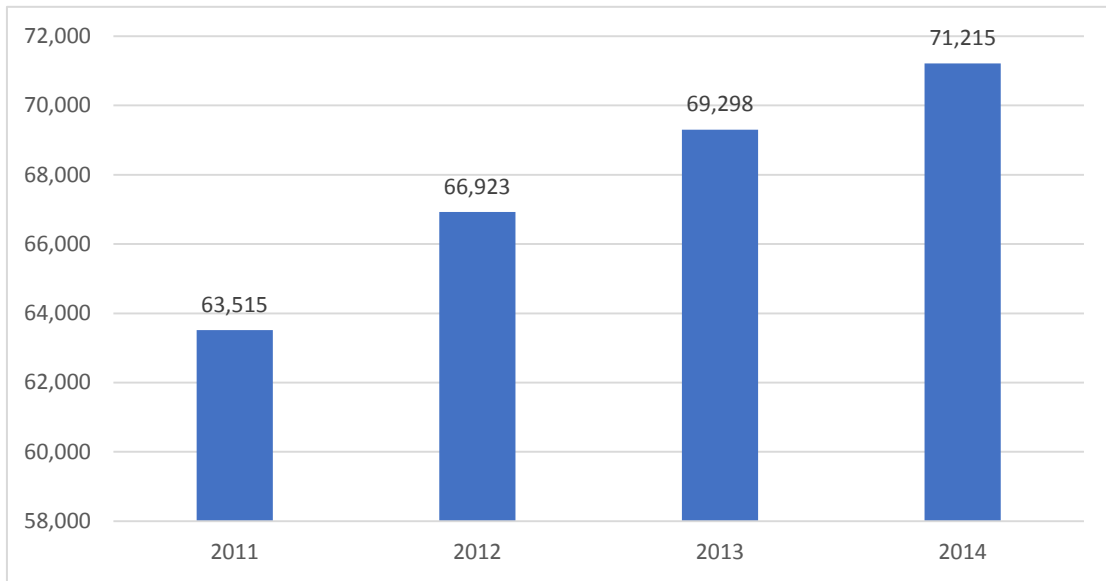
- Event generating tax
- Person liable to tax
- Legal obligations to keep records
- Keeping accounting and tax documents
- Sanctions envisaged in the event of non-payment of taxes<sup>158</sup>.

#### *Overview of premiums*

Earned total premiums have grown steadily from 2011 to 2014, reaching 71,215 million EUR in 2014.

<sup>158</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.commercialriskeurope.com/uploads/files/databank/Indirect-Taxation-Ins-Eur.pdf>

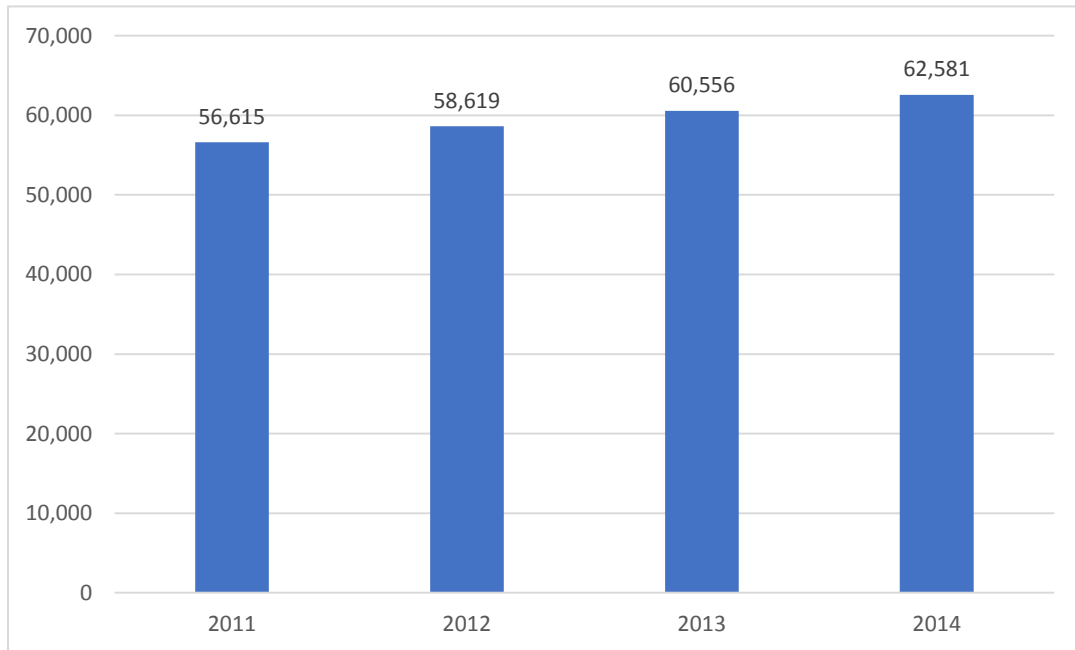
Figure 15: Total non-life insurance earned premiums in Germany (million EUR)



Source: BaFin, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht

According to the German Insurance Association (GDV) statistics, the total gross written premiums reached EUR 62,581 million in 2014, and grew by 3.3% from 2013 to 2014.

Figure 16: Total non-life insurance Gross Written Premiums in Germany (million EUR)



Source: GDV, 2015, Statistical Yearbook of German Insurance

The largest change compared to 2013 was experienced in comprehensive insurance on buildings class which increased its gross written premium by 7.1%. The non-life gross written premiums by class are listed in the table below.

Table 22: GWP property &amp; casualty insurance (non-life) by class in Germany

Insurance class	2013		2014	
	In million EUR	change against previous year as %	In million EUR	change against previous year as %
total of property insurance	16,728	4.5	17,291	3.4
– private property insurance, of which:	8,917	5.1	9,334	4.7
– comprehensive insurance on buildings	5,612	7.1	5,981	6.6
– comprehensive insurance on contents	2,792	2.3	2,849	2
– non-private property insurance:	7,810	3.7	7,958	1.9
– industrial / commercial / agricultural property insurance	5,888	2.4	6,050	2.8
– engineering insurance / EI-BI	1,923	7.8	1,907	-0.8
marine and aviation insurance	1,764	-7.6	1,765	0.1
credit, surety and fidelity insurance	1,582	0.7	1,561	-1.3
general liability insurance	7,223	1.8	7,442	3
total of motor insurance	23,260	5.8	24,380	4.8
– motor vehicle TPL	13,927	5.4	14,598	4.8
– motor vehicle full own damage	7,707	6.9	8,088	4.9
– motor vehicle partial own damage	1,529	4.6	1,600	4.7
– motor accident	97	-4	93	-3.7
Private accident insurance	6,411	-1.7	6,471	0.9
Legal expenses insurance	3,417	2.2	3,486	2
Roadside assistance	173	-1.1	185	7.3
Total of property & casualty insurance	60,556	3.3	62,581	3.3

Source: GDV, 2015, Statistical Yearbook of German Insurance

The data collected by Insurance Europe for non-life GWP can be found in Table 5 of Annex I and reflect the same trends.

The following table shows the gross written premium figures for non-life products according to the latest statistical report of the German national regulatory authority (BaFin). The number of gross written premium varies slightly from figures reported by

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GDV and Insurance Europe. The German national regulatory authority reports 66,553 million EUR instead of 62,581 million EUR, 3,972 more. The differences in figures reported by GDV and Insurance Europe compared to BaFin, could be due to the different categorisation of non-life insurance products by the three entities. BaFin includes a "Other non-life insurance" category that is not included in Insurance Europe or GDV statistics. The table below illustrates the non-life gross written premiums reported by BaFin.

Table 23: Non-life insurance Gross Written Premium by class in Germany

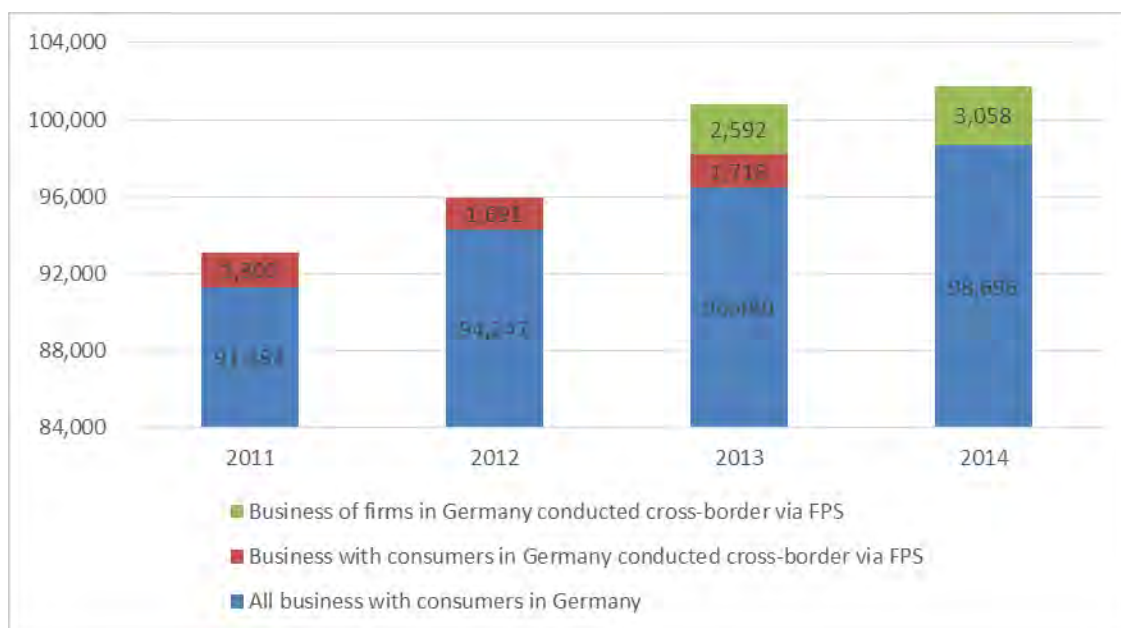
Non-life insurance categories	Gross written premium composition			Change in premiums	
	2014 in Million EUR	2014 in %	2013 in %	2014 in %	2013 in %
Health	442.0	0.7	0.6	13.3	16.3
AU (Inability to work)	6449.1	9.7	9.9	0.8	-2
AH (age related health insurance)	8888.8	13.4	13.0	5.6	4.6
Motor (total)	23741.9	35.4	34.9	5.1	6.1
Aviation	123.4	0.2	0.2	-5	22.7
Legal	3830.5	5.8	5.8	2.0	1.9
Fire	1890.5	2.8	2.9	2.4	7.3
Household content	2744.9	4.1	4.2	2.0	2.3
Household building	5842.2	8.8	8.4	6.8	7.3
Transport	1484.6	2.2	2.2	2.5	9.9
Credit	416.0	0.6	1.5	-58	2.5
Assistance services	569.4	0.9	0.8	11.2	2.0
Aircraft and spacecraft liability	221,6	0,3	0,3	9,6	-10
Other non-life insurance	5243,1	7,9	7,7	5,1	7,3
Other indemnity insurance	4669,6	7,0	7,7	-6	-4

Non-life insurance categories	Gross written premium composition			Change in premiums	
Total	66553,5	100	100	2,7	4

Source: BaFin, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht

From 2012 to 2013, the number of premiums written by branches of EU/EEA companies under the freedom of establishment (FOE) recovered by 22.3% from the decline experienced in 2012. The figure below shows the number of premiums sold in Germany (all insurance companies, and foreign insurance companies) and premiums sold by German insurers abroad via freedom to provide services (FPS).

Figure 17: Insurance written premiums for non-life insurance in Germany (million EUR)



Source: Insurance Europe, 2015, Non-life insurance data

The year to year growth of the overall non-life insurance products gross written premiums in Germany has grown steadily from 2012 to 2014. The following table shows the percentage of this growth per year.

Table 24: Year on year growth of non-life GWP in Germany

	2011	2012	2013	2014
Non-life insurance GWP growth	N/A	1.90%	2.40%	3.30%

Source: Insurance Europe, 2015, Non-life insurance data

### Overview of data on claims

The number of claims has been fluctuating throughout the period under observation (2011-2014). In 2013, the number of claims increased by 4.2% due to extreme natural disasters after a steady two years of decrease in number of claims. In 2014, the number of claims experienced a deep decrease (5%) compared to 2013 due to the steady weather conditions compared to the previous year.

Table 25: Number of claims in the non-life insurance sector in Germany

	2011	2012	2013	2014
Number of claims (thousands)	23,330	22,720	23,665	22,485
Change against previous year as %	-1,8	-2,6	4,2	-5,0

Source: BaFin, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht

Following a claims peak in 2013, the German non-life insurance market returned to more "normal" results in 2014, delivering an overall combined ratio of 94.6%. This compares to a combined ratio of 103.5% in 2013, when a series of natural catastrophes caused huge damage and saw the market's combined ratio for commercial property reach a high 115.6%. The total number of claims in Germany decreased by 8.6% to 45.4 bn EUR in 2014, back in line with the loss experience of 2012 with normal natural disaster claims figures<sup>159</sup> and the claims ratio continued its fall already experienced in 2012.

Table 26: Claim expenditure, claims ratio and combined ratio for non-life insurance in Germany

Year	Claims expenditure <sup>160</sup>		Claims ratio as % <sup>161</sup>	Combined ratio as % <sup>162</sup>
	In million EUR	change against previous year as %		
2011	43,774	1,1	79,4	98,1
2012	44,249	1,1	77,4	97,2
2013	49,653	12,2	83,9	103,5
2014	245,382	-8,6	74,2	94,6

Source: GDV, 2015, Statistical Yearbook of German Insurance

### 2.1.2. Household insurance

#### *Overview of the selected products*

In Germany, there are different type of household insurance products available which cover the needs of different households: for houses that have been bought, rented and constructed<sup>163</sup>.

The most important household insurances are divided into two main categories:

- Construction phase: protects the property of a building owner during the construction phase. This type of insurance holds a high damage potential. Building

<sup>159</sup> GDV, 2015, Statistical Yearbook of German Insurance. Available at [http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical\\_Yearbook\\_2015.pdf](http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical_Yearbook_2015.pdf)

<sup>160</sup> Gross claims incurred for the accounting year.

<sup>161</sup> Gross claims incurred for the accounting year as % of earned gross premiums.

<sup>162</sup> Claims-expenses ratio after settlement; as % of earned gross premiums.

<sup>163</sup> GDV, 2015, House Building insurance. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002\\_Wohngebaeude\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002_Wohngebaeude_0615.pdf)

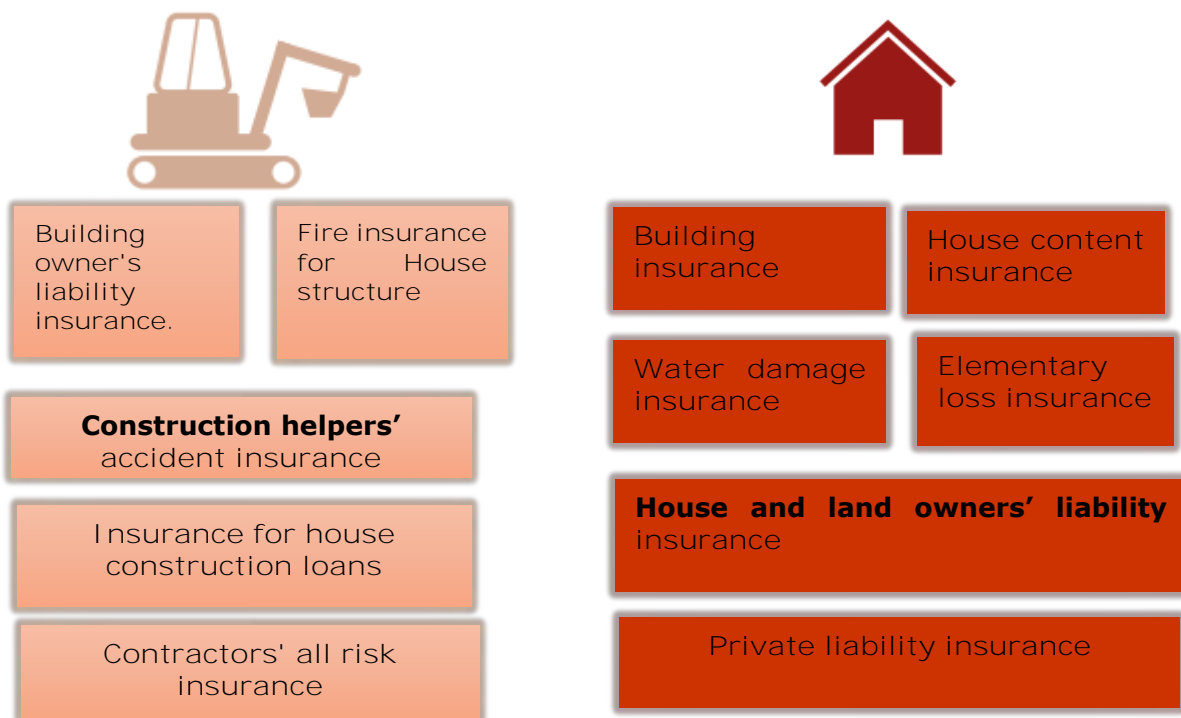
owners tend to experience higher financial risks than owners that buy/rent a house that was already built.

- Living phase: protects house owners/renters that are already settled at home.

Household contents and building insurance are currently not compulsory in Germany. Insurance for homeowners was mandatory in the past and there were several companies at the regional level which had dominant positions in the market. This obligation to insure was ended in 1994 due to the EC deregulation of the insurance sector. Fire insurance, which is the main house-related peril, is also included in home content and building insurance policies<sup>164</sup>. Many Bundesländers used to provide for such mandatory fire insurance for house owners. One prominent example was the Hamburger Feuerkasse – established in 1676 and thus arguably the oldest still existing insurance undertaking – from which every house owner had to take fire insurance<sup>165</sup>. To obtain a mortgage, banks require subscribing to a house building insurance covering at least damages caused by fire, however this contractual requirement is a commercial practice and is not set by law<sup>166</sup>.

The figure below displays the different insurance products under the two main categories of household insurance:

Figure 18: Household insurance products



Source: GDV, 2015, Statistical Yearbook of German Insurance

<sup>164</sup> Gebäudeversicherung Pflicht, 2016. Available at: <http://www.xn--gebueversicherungstest-24b.de/gebueversicherungspflicht/>

<sup>165</sup> AIDA, German chapter. Available at: <https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwjJgclpv9XPAhWLOsAKHRkcBjYQFggmMAE&url=http%3A%2F%2Fwww.aida.org.uk%2Fdocs%2FGermany.doc&usq=AFQJCNH7JN9a5iUWrLnEONx28wOZ8WMnBw>

<sup>166</sup> HausJournal, Gebäudeversicherung Pflicht. Available at: <http://www.hausjournal.net/gebueversicherungspflicht>



Products related to the construction phase will not be covered under this household insurance section, but only the following listed products available to owners/renters of houses that are already built.

The standard building insurance in Germany provides financial protection to house owners/renters on their property. This insurance product covers any damage caused by the following risks: fire, lightning strike, explosion, storm and hail, cuts in tap water and overvoltage. Additional elements can be included in the building insurance coverage such as house inundation and glass breaks. Theft is not included in the building insurance product. Additionally, building insurance in Germany covers cleaning up operations and security of the land. In extreme cases, building insurance will cover for the demolition of the building.

In cases where houses are damaged in their totality (e.g. whole house burned), the insurer will get a new and same-priced house financed -including architects, construction, planning costs. However, the insurer will need to cover the cost beforehand, and these will be reimbursed three years after the start of house reconstruction<sup>167</sup>.

To calculate the annual premium to be paid for a building insurance product, the insurer needs to provide information on the location, building and property characteristics. The building insurance premium can be changed yearly, as premiums are based on construction costs which are adjusted yearly.

House content insurance **protects house owner's possessions within their household** from the following risks: fire, lightning strike, explosion, storm and hail, cuts in tap water and overvoltage as well as theft. The insurance covers the entire movable property (movable possessions) in the apartment and the associated ancillary rooms of the house, such as:

- **Furniture;**
- **Books;**
- **Clothing;**
- **Children's Toys;**
- **Carpets and lamps;**
- **Dishes;**
- **Computers and other electronic devices;**
- **Fridge;**
- **Food for the pets.**

Additional movable property can be included in the content insurance coverage such as bicycle theft, glass breaks, garden furniture etc. The extra coverage will be included as an additional charge<sup>168</sup>. The only movable possession that is not included in the house content coverage are cars, as car theft or other damages are covered by motor vehicle third party liability insurance.

The house content insurance will cover for:

- **the replacement costs for stolen or irreparable inventory, at the purchased price;**
- **the repair costs for damaged items;**

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<sup>167</sup> GDV, 2015, House Building insurance. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002\\_Wohngebaeude\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002_Wohngebaeude_0615.pdf)

<sup>168</sup> GDV, 2015, House Building insurance. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002\\_Wohngebaeude\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002_Wohngebaeude_0615.pdf)

- **the depreciation of items that are still fully usable.**

In cases of house content damage (e.g. a fire took place in the flat/house), house content insurance will cover the cost of hotel accommodation, clean-up, transport of possessions and storage for possessions if the flat/house must be vacated.

Moreover, content insurance contracts in Germany can be transferred from one property to another. Content insurance coverage includes damages that might occur to house possessions while moving. If someone moves from one house to another, the two houses will be covered for two months<sup>169</sup>.

In order to avoid being under-insured, the value of an average house content can be determined through a flat rate system. For example, the insured value per m<sup>2</sup> living space can be 650 EUR, which will correspond to 52,000 EUR insured in a 80 m<sup>2</sup> flat<sup>170</sup>.

Elementary loss insurance (hazard insurance) covers any damage to households against natural disasters. Elementary loss insurance is purchased in combination with building insurance and/or content insurance. Currently, German insurance companies offer the building and content insurances including already an elementary loss insurance contract. This contract can be excluded if the insured does not need/want it.

The elementary loss insurance coverage includes damages to the building and/or property(content) caused by:

- **heavy rain;**
- **flooding;**
- **snow;**
- **avalanches/landslides;**
- **ground sinking;**
- **earthquake;**
- **volcano eruption;**

In case of damage, the insured bears part of the cost, which means usually that an excess is agreed.

The combination of building and elementary loss insurance covers the costs of:

- **repairs in and around the house and the building around it (e.g. garage and shed);**
- **renovation of the building;**
- **demolition of the building;**
- **design and construction of an equivalent house.**

The cost of alternative accommodation, due to the temporary inhabitability of the insured house will also be covered.

House content insurance in combination with elementary loss insurance covers:

- **repair costs of the entire damaged inventory.**
- **costs of replacement if something was completely destroyed.**

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<sup>169</sup> GDV, 2015, House Building insurance. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002\\_Wohngebaeude\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002_Wohngebaeude_0615.pdf)

<sup>170</sup> GDV, 2015, House Building insurance. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002\\_Wohngebaeude\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002_Wohngebaeude_0615.pdf)

**House and land owners' liability insurance** is required for those who are still in the construction phase or are renting their property. In the latter case, the house owner is responsible for third parties (renter) and will be liable if the tenant is endangered or injured (e.g. by a loose paving slab, iced sidewalks and falling icicles or roof tiles). This type of insurance is not needed if the house owner lives in her/his property and has a private liability insurance.

Private liability insurance covers unintentional injuries to someone visiting the insured house/flat. It is an insurance product that covers house/flat owner and tenants of the following incurred damages to others:

- a visitor slips on the smooth floor of the house/flat.
- someone crashes due to ice outside the house/flat.
- a flower box falls and damages a car parked nearby.
- a ceiling lamp falls and a visitor gets injured.

The above-mentioned situations are only some of the situations covered by this insurance product. Private liability insurance also covers other members of the family.

#### *Overview of the national market*

In 2014, there were 120 insurance companies offering household insurance products in Germany. There has been a slight decrease in the number of insurance companies offering household insurance products, from 125 in 2011 to 120 in 2014.

Table 27: Number of household insurance companies in Germany

Year	House building insurance companies	House content insurance companies
2011	125	125
2012	124	127
2013	124	126
2014	120	122

Source: GDV, 2015, Statistical Yearbook of German Insurance

According to the BaFin, house content insurance represented 25.5 million contracts in 2014, 25.3 million in 2013 and 20.4 million in 2012<sup>171</sup> while house building insurance represented 19.3 million contracts in 2014, 19.2 million in 2013 and 20.4 million in 2012<sup>172</sup>.

House content insurance products are the most common house insurance products purchased by German consumers, due to increase of burglaries in Germany over the past five years (exactly 167,136 burglaries were reported in 2015 the police).<sup>173</sup> The average

<sup>171</sup> BAFIN, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht Available at: [https://www.bafin.de/SharedDocs/Downloads/DE/Statistik/Erstversicherer/dl\\_st\\_13\\_erstvu\\_gesamt\\_va.pdf?\\_\\_blob=publicationFile&v=2](https://www.bafin.de/SharedDocs/Downloads/DE/Statistik/Erstversicherer/dl_st_13_erstvu_gesamt_va.pdf?__blob=publicationFile&v=2)

<sup>172</sup> BAFIN, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht Available at: [https://www.bafin.de/SharedDocs/Downloads/DE/Statistik/Erstversicherer/dl\\_st\\_13\\_erstvu\\_gesamt\\_va.pdf?\\_\\_blob=publicationFile&v=2](https://www.bafin.de/SharedDocs/Downloads/DE/Statistik/Erstversicherer/dl_st_13_erstvu_gesamt_va.pdf?__blob=publicationFile&v=2)

<sup>173</sup> Stiftung Warentest, 2016, Hausratversicherung. Available at: <https://www.test.de/Hausratversicherung-im-Test-5069958-0/>

amount of loss pay-off by insurance companies last year to German clients after a burglary was 3,250 EUR.

Elementary loss insurance products which cover consumers from damages caused by natural hazard, sold as a supplement product of house building or house content insurance, have been provided by private insurance companies since 1991. 70% of the companies also provide coverage for losses due to backwater in storm water drainage systems, whereas losses caused by a rise in groundwater level are covered only by a small percentage of the insurance companies.<sup>174</sup>

The federal government has only limited legal competence regarding protection against natural hazards such as flooding. Water management and flood protection and prevention in Germany fall to a large extent within the jurisdiction of the individual federal states. Insurance against fire but not against other atmospheric or geological hazards is generally required by banks in return for granting a mortgage; however, the two most expensive insurance products against natural hazards for insurers in Germany are storms and floods.

Coverage against floods and other natural hazards is provided in elementary loss insurance. Depending on the federal state and legal framework, market penetration of elementary loss insurance differs regionally with a national average of an estimated 30%.<sup>175</sup> For example, in the federal state of Baden-Württemberg which used to require comprehensive insurance against natural hazards by law until 1994, 95 % of all buildings are covered by elementary loss insurance in 2014. In comparison, in the federal state of Bremen, only 11 % have the same kind of insurance coverage due to the absence of a historical compulsory insurance and a higher degree of exposure to flood risks. Market penetration of elementary loss insurance is above national average in the former East Germany (Sachsen 42% in 2013)<sup>176</sup>, which can be explained by the fact that after the German reunification, many commercial insurers decided to continue the policies of the compulsory home insurance of the East German government, which included coverage against all known kinds of natural risks including flooding.

The table below presents the latest statistics on insurance density, showing a steady increase of the amount of premium purchased per insured. In Insurance Europe statistics, property insurance (household insurance) refers to protection against risks such as fire, theft and some weather damage.

Table 28: Insurance density – Property insurance in Germany

Year	2011	2012	2013	2014
Property density (EUR)	189	196	204	214

Source: Insurance Europe, 2016, Non-life insurance data

Property insurance penetration rate has remained stable at 0.6% of the GDP between 2011 and 2014<sup>177</sup>.

<sup>174</sup> Schwarze (2004 a,b), in: Keskitalo et al. (2014): Adaptation to climate change in the insurance sector: examples from the UK, Germany and the Netherlands, published by Springer Link. Available at: <http://link.springer.com/article/10.1007/s11069-013-0912-7>

<sup>175</sup>GDV, 2013, Elementarschadenversicherung im Überblick. Available at: [http://www.gdv.de/wp-content/uploads/2013/08/GDV-Grafik-Versicherungsdichte\\_Elementar\\_Ueberblick\\_2013.pdf](http://www.gdv.de/wp-content/uploads/2013/08/GDV-Grafik-Versicherungsdichte_Elementar_Ueberblick_2013.pdf)

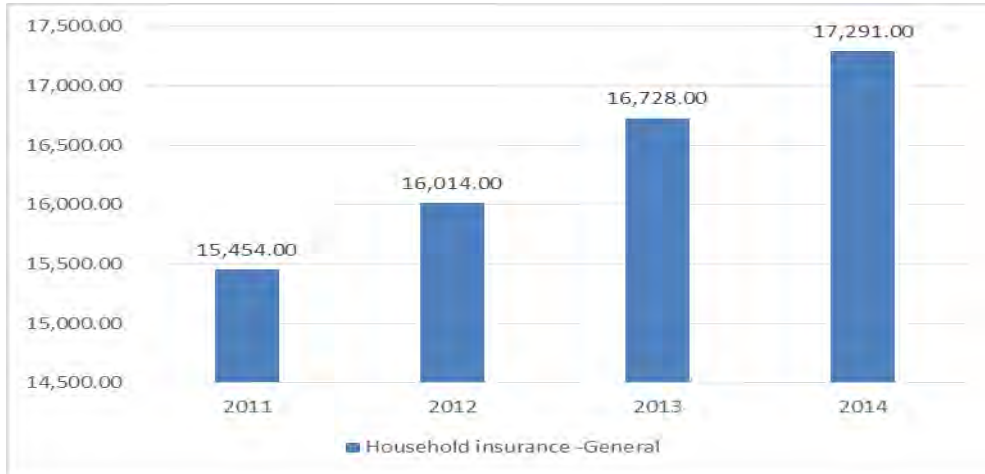
<sup>176</sup>GDV, 2013, Elementarschadenversicherung im Überblick. Available at: [http://www.gdv.de/wp-content/uploads/2013/08/GDV-Grafik-Versicherungsdichte\\_Elementar\\_Ueberblick\\_2013.pdf](http://www.gdv.de/wp-content/uploads/2013/08/GDV-Grafik-Versicherungsdichte_Elementar_Ueberblick_2013.pdf)

<sup>177</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

*Overview of premiums*

The number of household insurance premiums increased by 3.4% from 2013 to 2014, according to Insurance Europe figures. Figure 19 shows there has been a steady growth in the number of household insurance premiums written in Germany from 2011 to 2014.

Figure 19: Total gross written household insurance premiums in Germany (million EUR)



Source: Insurance Europe, 2016, Non-life insurance data

House building insurance gross written premiums increased by 6.6% in 2014 compared to the previous year. Gross written premiums for this type of insurance increased steadily on a yearly basis. The largest increase was experienced in 2013, with a 7.1% increase compared to 2012. The table below shows the gross premium income from 2011 to 2014.

Table 29 : Gross Written Premiums – House Building insurance in Germany

	2011	2012	2013	2014
GWP (million EUR)	4,951	5,242	5,612	5,981
change against previous year as %	3.4	5.9	7.1	6.6

Source: GDV, 2015, Statistical Yearbook of German Insurance

House building insurance earned premiums increased by 7.3% in 2014 compared to 2013, as shown in the table below. There has been a steady growth of house building insurance earned premiums in Germany from 2011 to 2014, ranging from 3% to 7% annual increase.

Table 30: Earned Premiums – House Building insurance in Germany

Year	Earned premium in million EUR	Change against previous year as %
2011	4,765.0	3.2
2012	5,033.9	5.6
2013	5,388.3	7.0
2014	5,782.5	7.3

Source: BaFin, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht

House content insurance gross written premiums increased by 2% in 2014 compared to the previous year. Gross written premiums for this type of insurance increased steadily on a yearly basis. The largest increase was experienced in 2013, with a 2.3% increase compared to 2012.

Table 31: Gross Written Premiums – House Content insurance in Germany

	2011	2012	2013	2014
GWP (million EUR)	2,682	2,731	2,793	2,849
change against previous year as %	1.1	1.8	2.3	2.0

Source: GDV, 2015, Statistical Yearbook of German Insurance

House content insurance earned premiums have experienced a steady growth from 2011 to 2014. The growth is not as significant as the one experienced by house building insurance but it has ranged from a 1% to 2% yearly growth.

Table 32: Earned Premiums – House Content insurance in Germany

Year	Earned premium in million EUR	change against previous year as %
2011	2,578.7	1.0
2012	2,622.9	1.7
2013	2,683.4	2.3
2014	2,742.3	2.2

BAFIN, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht

#### *Overview of data on claims*

The number of claims of the overall household insurance products experienced an important increase in 2013 and 2015. The number of claims oscillated between 5,100 to 5,200 from 2011 to 2014, except for 2013. The number of claims in 2013 increased due

to flooding and storms experienced that year in Germany.<sup>178</sup> A significant increase in the number of house building insurance and elementary insurance claims was experienced due to the before-mentioned weather conditions while house content insurance claims did not seem to be affected by them. The number of house content insurance claims remained stable during this period (2011-2014) ranging from 1,000 to 1,100 claims.

Table 33: Number of claims made (in thousands) – Household insurance in Germany

Insurance class	2011	2012	2013	2014	2015
Total household insurance products	5,119	5,143	5,518	5,253	5,829
House building insurance	2,040	2,063	2,397	2,141	2,626
House content insurance	1,147	1,097	1,081	1,113	1,100
Elementary loss insurance	80	80	30	110	30

Source: GDV, 2015, Statistical Yearbook of German Insurance

The highest number of house building insurance claims received in the past 5 years in Germany relate to problems in the supply of tap water. In 2015, claims on house building damages due to storm and hail doubled and became the risk for which the highest number of claims was received.

Table 34: Number of claims made (in thousands) – House building insurance per risk covered in Germany

Risk	2011	2012	2013	2014	2015
Fire	180	190	190	210	230
Tap water	1,080	1,230	1,110	1,160	1,110
Storm/Hail	650	600	970	670	1,200
Elementary (natural hazards)	60	20	80	50	20

Source: GDV, 2016, Wohngebäude

The number of house content claims in Germany related mainly to damages caused by fire and burglary. A yearly average of 400 claims related to house burglary has been recorded from 2011 to 2015.

<sup>178</sup> GDV, 2015, Statistical Yearbook of German Insurance. Available at [http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical\\_Yearbook\\_2015.pdf](http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical_Yearbook_2015.pdf)

Table 35: Number of claims made (in thousands) – House content insurance per risk covered in Germany

Risk	2011	2012	2013	2014	2015
Fire	390	350	280	330	280
Burglary	390	390	400	410	420
Tap water	200	220	190	190	170
Storm/Hail	90	70	130	100	140
Glass	40	40	40	40	50
Elementary (natural hazards)	20	10	30	30	10

Source: GDV, 2016, Hausrat

In Germany household insurance claims expenditure increased by 29.6% in 2013 compared to 2012. This important increase was due to substantial pay-outs to policyholders as a result of natural disasters (floods and storms). However, in 2014, claims expenditure for household insurance products went down considerably (19.4%).<sup>179</sup> From 2011 to 2015, the claims expenditure ranged between 11 to 13 billion EUR, except for 2013 when claims expenditure increased considerable due to particular weather conditions. The highest claims expenditure was recorded for house building insurance coverage. The table below shows claims expenditure of the overall household insurance products (including non-private property insurance), house building insurance and contents insurance.

Table 36: Claims expenditure in household insurance by type in Germany (million EUR)

Insurance type	2011	2012	2013	2014	2015
Total of household insurance products	11,171	11,656	15,109	12,177	12,996
House building insurance	3,996	4,097	6,009	4,341	4,742
House content insurance	1,265	1,326	1,391	1,407	1,394
Elementary loss insurance	140	80	750	330	80

Source: GDV, 2015, Statistical Yearbook of German Insurance

<sup>179</sup> Source: GDV, 2015, Statistical Yearbook of German Insurance. Available at [http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical\\_Yearbook\\_2015.pdf](http://www.en.gdv.de/wp-content/uploads/2015/10/GDV-Statistical_Yearbook_2015.pdf)



## Country fiches

The highest number of house building insurance claims received in the past 5 years in Germany related to problems in the supply of tap water, therefore over 10 billion EUR were paid on claims from 2011 to 2015 to cover damages caused by problems with tap water.

Table 37: Claims expenditure in house building insurance per risk in Germany (million EUR)

Risk	2011	2012	2013	2014	2015
Fire	750	820	840	880	980
Tap water	1,940	2,520	2,090	2,340	2,340
Storm/Hail	1,010	580	2,340	790	1,240
Elementary (natural hazards)	120	70	660	260	70

Source: GDV, 2016, Wohngebäude

A yearly average of 400 claims related to house burglary have been recorded from 2011 to 2015. Therefore, the highest claims expenditure from 2011 to 2015 relates to damages caused by burglary.

Table 38: Claims expenditure in house content insurance per risk in Germany (million EUR)

Risk	2011	2012	2013	2014	2015
Fire	400	390	350	380	360
Burglary	540	590	610	620	690
Tap water	200	260	210	230	230
Storm/Hail	50	30	80	50	50
Glass	10	10	10	20	20
Elementary (natural hazards)	20	10	90	80	10

Source: GDV, 2016, Hausrat

The average claims paid for house building insurance claims range from 1,900 EUR to 2,500 EUR (2011 to 2015). The highest average pay-out for claims was recorded in 2013 due to weather conditions experienced that year. Fire is the risk for which the average pay-out is the highest, over 4,000 EUR every year (2011-2015). Only in 2013, the average pay-out for natural hazard damages (elementary loss insurance) was higher due to the storms and flooding taken place that year.

Table 39: Average claims paid for house building insurance in Germany (EUR)

Risk	2011	2012	2013	2014	2015
Fire	4,001	4,264	4,620	4,148	4,062
Tap water	1,740	1,987	1,933	1,961	2,065

## Country fiches

Risk	2011	2012	2013	2014	2015
Storm/Hail	1,496	941	2,369	1,161	1,021
Elementary (natural hazards)	2,040	2,589	9,100	4,767	3,114
Total house building insurance products	1,958	1,986	2,506	2,028	1,806

Source: GDV, 2016, Wohngebäude

In the case of house content insurance claims, the average claims paid range from 1,100 EUR to 1,300 EUR (2011 to 2015). Burglary and natural hazards (elementary loss insurance) have the highest pay-outs for house content claims, especially claims related to natural hazard in 2013 and 2014 which average pay-out was over 3,000 EUR.

Table 40: Average claims paid for house content insurance in Germany (in EUR)

Risk	2011	2012	2013	2014	2015
Fire	1,037	1,128	1,278	1,150	1,295
Burglary	1,404	1,510	1,571	1,526	1,622
Tap water	1,010	1,203	1,130	1,243	1,283
Storm/Hail	500	440	623	546	346
Glass	306	308	327	361	352
Elementary (natural hazards)	1,361	1,415	3,120	3,035	1,822
Total house content insurance	1,104	1,209	1,287	1,264	1,268

Source: GDV, 2016, Hausrat

The claims ratio of total earned household insurance premiums increased considerably in 2013 reaching 90.8%, and staying at this rate in 2014. The highest claims ratio (108.6%) was experienced in house building insurance in 2013.

Table 41: Claims ratio as % - Household insurance by type in Germany

Insurance type	2011	2012	2013	2014
Total of household insurance products	72.6	73.2	90.8	90.8
House building insurance	81.3	79.1	108.6	73.4
House content insurance	47.3	48.7	50.0	49.5

Source: GDV, 2015, Statistical Yearbook of German Insurance

The combined ratio of all household insurance products increased significantly in 2013, while it remained in the 90ies percentile in 2011, 2012 and 2014. The same scenario applies for the combined ratio of house building insurance, although the combined ratio recorded from 2011 to 2014 has been always above 100%.

Table 42: Combined ratio as % - Household insurance type in Germany

Insurance type	2011	2012	2013	2014
Total of household insurance products	97.9	98.1	116.2	97.0
House building insurance	107.3	104.3	134.7	101.8
House content insurance	81.1	82.8	84.0	83.9

Source: GDV, 2015, Statistical Yearbook of German Insurance

### 2.1.3. Motor insurance

#### *Overview of the selected products*

Motor vehicle third party liability (M3PL) insurance is compulsory, pursuant to Compulsory Insurance for motor vehicle owners law<sup>180</sup>, for every owner of a motor vehicle, no vehicle can be licensed without this insurance. The reason behind this rule is that those injured by a motor vehicle must at least have the certainty that they will be compensated for any damage or loss suffered. It compensates accident victims, including all people inside the car at the time of the accident, up to the agreed minimum insurance sum. M3PL insurance will cover for<sup>181</sup>:

#### 1. Damages to the car which include:

- towing costs
- expert costs
- repair costs
- vehicle downtime
- costs of car hire
- depreciation expenses
- recovery value for total losses
- Registration and withdrawal costs
- lawyer fees

#### 2. Additional damages to, for example:

- buildings
- public transport facilities

<sup>180</sup> Compulsory Insurance for motor vehicle owners law, last amended in 2015. Available at: <https://www.gesetze-im-internet.de/pflvg/BJNR102130965.html>

<sup>181</sup> GDV, 2015, Versicherungen für Kraftfahrzeuge. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5005\\_Auto\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5005_Auto_0615.pdf)

### 3. Persons' injuries which include:

- cost of treatments that the health insurance policy will not cover
- compensation for several impairments
- lifelong pension
- in case of death – burial costs or allowance for family members of the victim

M3PL insurance covers claims of the accident victim. If these are unauthorized or overdrawn, it will also cover legal expenses. The full compensation will only be released to accidents victims, who are not to blame for the accident. In case of a proven partial liability, the appropriate pro rata compensation will be provided. Besides, not only can the injured person receive claim compensation from the M3PL insurance policy but also from health insurance, accident and pension insurance.

The minimum amount of insurance coverage is<sup>182</sup>:

- **7,5 million EUR for persons' injuries**
- Up to 1,120,000 EUR for material damage
- 50,000 EUR for property damage

Normally, insurance companies include higher insurance coverage sums.

Insurance companies usually offer all-in/combined single limit insurances of 50 million EUR or 100 million EUR for bodily injury, property damage and other financial/fortune loss (usually with a bodily injury coverage limitation of 8 to 15 million euro for each bodily injured person)<sup>183</sup>.

Fully comprehensive and partial comprehensive motor vehicle insurance are not a compulsory insurance in Germany, which is also why it does not have any statutorily **defined minimum insurance scope. It covers damage to a person's own vehicle.** Typically, the risks covered by partial motor vehicle insurance are: fire, explosion, theft, storm, hail, lightning, flooding, glass breakage and wiring short circuits. Fully comprehensive motor vehicle insurance relates to the same risks, but additionally covers accidents attributable to the **policyholder's own fault as well as wanton or malicious acts of third parties. 80%** of the 40 million motor insurance contracts also include partial or comprehensive coverage<sup>184</sup>.

Additional optional vehicle insurance products are offered by German insurance companies, as presented below:

Motor assistance insurance covers for costs in cases of breakdown. The insurer will coordinate and finance any road assistance in cases of breakdown. In case of collision/accident, this insurance will cover for rescue and recovery of the vehicle, spare parts dispatch, vehicle transport and car customs clearance and scrapping.

Furthermore, the motor assistance insurance cover for:

- car rental expenses
- overnight stays after breakdown

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<sup>182</sup> EC expert group on European insurance contracts, 2013, Discussion paper: motor insurance. Available at: [http://ec.europa.eu/justice/contract/files/expert\\_groups/discussion\\_paper\\_vii\\_-\\_motor\\_insurance\\_-\\_12-13\\_november\\_meeting\\_en.pdf](http://ec.europa.eu/justice/contract/files/expert_groups/discussion_paper_vii_-_motor_insurance_-_12-13_november_meeting_en.pdf)

<sup>183</sup> Quora, If I had car accident with more damage than coverage of insurance in Germany, would there be any way to get help from humanity or would I be doomed? Available at: <https://www.quora.com/If-I-had-car-accident-with-more-damage-than-coverage-of-insurance-in-Germany-would-there-be-any-way-to-get-help-from-humanity-or-would-I-be-doomed>

<sup>184</sup> GDV, 2015, Versicherungen für Kraftfahrzeuge. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5005\\_Auto\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5005_Auto_0615.pdf)

## Country fiches

- repatriation and emergency medical expenses
- retrieval of children

Motor assistance insurance policy are frequently offered by insurance collision companies in combination with motor vehicle third party liability insurance<sup>185</sup>.

The driver's protection insurance covers injuries to drivers in case of accident (when provoked by themselves or by both parties). The driver will get in these cases compensation for personal injuries which includes disability benefits and compensation for loss of earnings. This insurance type protects drivers like third party liability insurance policy would do.

Motor vehicle accident insurance cover accidents that occur when driving or loading a vehicle. It covers serious injuries and compensates policy holders with a full hospital treatment coverage and a flat-rate amount in case of disability or death. These services can be particularly useful for the driver in cases of accidents caused by the driver or by both drivers. The motor vehicle accident insurance is thus an additional financial injection, which is especially important when the offender is only partially liable or inadequately insured.

Legal coverage in cases of collision. This insurance will cover for costs related to legal **disputes including lawyer's fees** and court costs. In case of defeat in court, this insurance will cover for fees of the opposition lawyer. It covers damages/injuries to other vehicles, pedestrians and cyclists.

### *Overview of the national market*

The German motor insurance market is characterized by its intense competition among market players. In 2015, according to GDV, there were 94 insurance companies offering motor insurance products in Germany. The number of insurance companies offering motor insurance products has decreased slightly since 2011 when 99 insurers were offering motor insurance products to German consumers.

Table 43: Total number of insurance companies offering motor insurance products per category in Germany

	2011	2012	2013	2014	2015
Motor vehicle third party liability insurance	99	97	95	96	93
Full comprehensive motor insurance	94	93	93	92	92
Partial comprehensive motor insurance	95	93	92	91	90
Motor vehicle accident insurance	90	89	87	87	87
Overall motor insurances	99	97	96	96	94

Source: GDV, 2015, Kfz Versicherung Ueberblick

<sup>185</sup> GDV, 2015, Versicherungen für Kraftfahrzeuge. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5005\\_Auto\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5005_Auto_0615.pdf)

## Country fiches

The total number of motor insurance contracts has increased steadily for the past three years. Only the number of motor vehicle accident insurance contracts remained stable, with 3,6 million contracts from 2013 to 2015.

Table 44: Number of contracts in motor insurance in Germany (in million)

	2013	2014	2015
Motor vehicle third party liability insurance	60,2	61,0	62,0
Full comprehensive motor insurance	27,0	27,1	27,5
Partial comprehensive motor insurance	18,1	18,5	18,8
Motor vehicle accident insurance	3,6	3,6	3,6
Total	108,9	110,2	112,0

Source: GDV, 2015, Kfz Versicherung Ueberblick

Insurance density has increased yearly since 2011. The largest increase was recorded for full comprehensive motor insurance products increasing by 49 EUR from 2011 to 2015.

Table 45: Motor insurance density per category in Germany (EUR)

	2011	2012	2013	2014	2015
Motor vehicle third party liability insurance	219	228	237	245	249
Full comprehensive motor insurance	265	276	292	303	314
Partial comprehensive motor insurance	82	83	86	88	90

Source: GDV, 2015, Kfz Versicherung Ueberblick

Motor insurance penetration has remained at 0.8% from 2011 to 2014<sup>186</sup>.

### *Overview of premiums*

According to GDV data, motor insurance earned premiums have increased steadily from 2011 to 2015, except for motor vehicle accident insurance which experienced a slight decrease in 2015. The table below illustrates the number of earned premiums per motor insurance product.

<sup>186</sup> Insurance Europe, 2016, Non-life insurance data. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

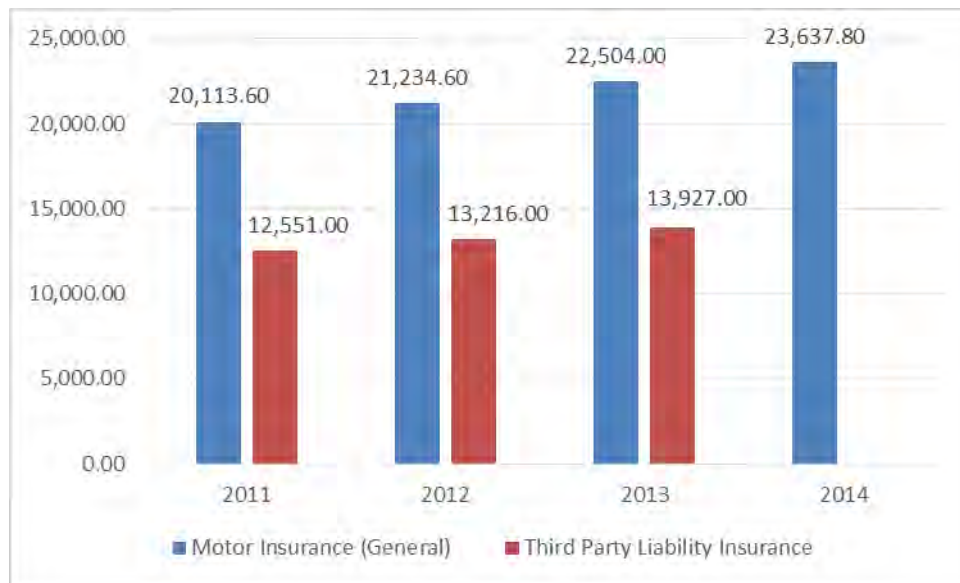
Table 46: Earned premiums – Motor insurance in Germany (million EUR)

	2011	2012	2013	2014	2015
Motor vehicle third party liability insurance	12,551	13,216	13,927	14,598	15,016
Full comprehensive motor insurance	6,811	7,211	7,707	8,088	8,462
Partial comprehensive motor insurance	1,420	1,462	1,529	1,600	1,658
Motor vehicle accident insurance	105	101	97	93	92
Overall motor insurances	20,887	21,989	23,260	24,380	25,227

Source: GDV, 2015, Kfz Versicherung Ueberblick

According to Insurance Europe data, over 23 billion EUR of motor insurance premiums were written in 2014. The figure below shows the motor insurance and third party liability gross written premiums numbers from 2011 to 2014.

Figure 20: Total motor insurance gross written premiums in Germany (million EUR) – Insurance Europe



Source: Insurance Europe, 2016, Non—life insurance data

The year on year growth of motor insurance products is shown in the following table. Germany, being the largest motor insurance market in Europe, had a growth rate of 14% from 2008 to 2013, and in 2014 a 4.8% increase was registered.

Table 47: Year-on-year growth of motor insurance GWP in Germany (%)

Products	2011	2012	2013	2014
Motor Insurance	3.6	5.6	5.8	4.8
Motor vehicle third party liability insurance	3.5	5.3	5.4	4.8

## Country fiches

Products	2011	2012	2013	2014
Motor vehicle full own damage insurance	4.3	5.9	6,9	4,9
Motor vehicle partial own damage insurance	1.9	2.9	4,6	4,7
Motor accident insurance	-4.3	-4.4	-4,0	-3,7

GDV, 2015, Statistical Yearbook of German Insurance

The average premium price paid in Germany for motor insurance product increased between 2011 and 2015 for all motor insurance products. The highest increase concerns the casco (full comprehensive) insurance, which average premium per insured increased by 49 EUR between 2011 and 2015.

Table 48: Average premium per insured in Germany (EUR)

Year	Third party liability	Casco (full comprehensive)	Partial cover
2011	219	265	82
2012	228	276	83
2013	237	292	86
2014	245	303	88
2015	249	314	90

Source: GDV, 2015, Kfz Versicherung Ueberblick

### *Overview of data on claims*

The number of claims reported between 2011 and 2014 for total motor insurance products oscillates between 8.900 and 9.900 claims. The table below shows the number of claims per year and per product category.

Table 49: Number of claims in Germany (in thousands)

Insurance type	2011	2012	2013	2014
Total of motor insurance	9,722	9,247	9,750	8,978
Third Party Liability	3,908	3,878	3,892	3,870
Full own coverage	4,431	4,137	4,495	3,979



## Country fiches

Insurance type	2011	2012	2013	2014
Partial own coverage	1,382	1,230	1,361	1,127
Motor accident	2	2	2	2

GDV, 2015, Statistical Yearbook of German Insurance

The amount of claims expenditure for motor insurance remained relatively stable over the years, with a noticeable peak in 2013.

Table 50: Total claims expenditure in Germany (million EUR)

Product type	2011	2012	2013	2014
Motor insurance	20,444	20,221	21,770	20,656
Motor vehicle third party liability insurance	12,452	12,586	12,647	13,052
Motor vehicle full own damage insurance	6,872	6,631	7,787	6,631
Motor vehicle partial own damage insurance	1,099	984	1,316	949
Motor accident insurance	20	18	19	22

GDV, 2015, Statistical Yearbook of German Insurance

The number of successful claims for motor insurance products decreased from 98% success rate in 2011 to 94% in 2013. The table below presents the variation in percentage of successful claims and shows an important rise in 2013 followed by a big decrease in 2014 for motor insurance.

Table 51: Number of successful claims – change against previous year in Germany in %

Products	2011	2012	2013	2014
Motor Insurance	1,9	-1,1	7,7	-5,1
Motor vehicle third party liability insurance	-0,8	1,1	0,5	3,2
Motor vehicle full own damage insurance	6,0	-3,5	17,4	-14,8
Motor vehicle partial own damage insurance	10	-10,4	33,7	-27,8

## Country fiches

Products	2011	2012	2013	2014
Motor insurance accident	-5,8	-10,2	2,1	17,2

Source: GDV, 2015, Statistical Yearbook of German Insurance

The table below displays the evolution of the claims ratio for motor insurance. The claims ratio of motor vehicle third party liability insurance experienced a continuous decrease between 2011 and 2014 while the other types of motor insurance products saw their claims ratio fluctuate over the same period.

Table 52: Motor insurance claims ratio in Germany (%)

	2011	2012	2013	2014
Motor insurance	98.1	92.1	93.9	85.1
Motor vehicle third party liability insurance	99.4	95.4	91.1	89.8
Motor vehicle full own damage insurance	101.1	92.2	101.4	82.4
Motor vehicle partial own damage insurance	77.5	67.5	86.4	59.6
Motor insurance accident	19.8	18.6	19.7	24.0

Source: GDV, 2015, Statistical Yearbook of German Insurance

The figure below presents the evolution of the combined ratio for motor insurance. The combined ratio of third party liability insurance decreased from 2011 to 2014 from 104% to 98%. On the other hand, for motor vehicle full own damage insurance and motor vehicle partial own damage insurance, the combined ratio fluctuated yearly.

Table 53: Motor combined ratio (%)

Products	2011	2012	2013	2014
Motor Insurance	107,4	102,6	104,4	96,7
Motor vehicle third party liability insurance	104,3	102,2	98,1	98,8
Motor vehicle full own damage insurance	115,1	106,2	115,2	95,9
Motor vehicle partial own damage insurance	101,2	91,7	111,0	83,5
Motor insurance accident	58,8	59,3	57,9	66,6

Source: GDV, 2015, Statistical Yearbook of German Insurance

#### 2.1.4. Car rental insurance

##### *Overview of the selected products*

In Germany third party liability insurance and fire insurance are mandatory<sup>187</sup> so both vehicle owners and vehicle renters have to be covered by third party liability insurance. As a consequence, a consumer cannot rent a car without being covered by a car rental insurance covering third party liability and fire insurance.

Therefore, the price for car rental always includes a third party liability insurance and fire insurance<sup>188</sup>, which covers:

- Physical or material damage on third parties caused by the rented car.
- Damage on the passengers of the rented car, considered as third party too.

Additional damage waivers vary depending on the provider. Two common damage waiver policies are:

- CDW is short for Collision Damage Waiver – This provides cover in the event of a collision or damage. This insurance coverage might be included in annual travel insurances.
- TW is short for Theft Waiver, and concerns theft or loss of the rental vehicle.

These two waivers are offered with an average 800 EUR – 1500 EUR excess by car rental companies, normally in the form of a credit card hold. Almost all car rental rates in Germany have the option of adding a zero excess car rental insurance to the insurance package, meaning that if the insured were to get into a collision or the vehicle was to be damaged, the insured would not be responsible for paying anything, and no excess would **be held for insurance on consumers' credit cards.**

Some major credit cards also offer certain types of vehicles for car rental insurance (including CDW and TW), such as: exotic cars, off-road vehicles, RV camper vans, and luxury cars<sup>189</sup>. In most cases, the amount of coverage provided is limited up to 45 days maximum. Therefore, for long-term rentals it is very important to double check the period for which credit card companies cover for a car rental insurance.

##### *Overview of the national market*

In 2015, the car rental market performed well in Germany registering a current value growth of 7%<sup>190</sup>. This increase was demand-driven, and thereby a result of several factors. On the one hand, both inbound and domestic flows grew, meaning more trips therefore a stronger demand for rental cars. On the other hand, a strong economic development and consumer confidence in combination with a growing need for mobility, resulted in significantly higher demand for rental cars in Germany<sup>191</sup>. Furthermore, an increasing number of young people prefer to rent cars than to own one, opting for car sharing schemes and peer-to-peer rentals and similar alternatives, which in the end also support car rental revenues. Consequently, as insurance coverage for third party liability and fire

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<sup>187</sup> Auto Europe, Germany Car rental insurance. Available at: <http://www.autoeurope.com/go/travel-guides/germany/germany-car-rental-insurance/>

<sup>188</sup> Auto Europe, Germany Car rental insurance. Available at: <http://www.autoeurope.com/go/travel-guides/germany/germany-car-rental-insurance/>

<sup>189</sup> Auto Europe, Germany Car rental insurance. Available at: <http://www.autoeurope.com/go/travel-guides/germany/germany-car-rental-insurance/>

<sup>190</sup> Euromonitor, Car Rental in Germany. Available at: <http://www.euromonitor.com/car-rental-in-germany/report>

<sup>191</sup> Euromonitor, Car Rental in Germany. Available at: <http://www.euromonitor.com/car-rental-in-germany/report>

is compulsory, the increase in car rental activities leads to a rise in the activity of car rental insurance.

#### *Overview of premium*

No data on premiums specific to car rental insurance were available.

#### *Overview of data on claims*

No data on claims specific to car rental insurance were available.

### 2.1.5. Insurance products sold as an add-on to primary products in Germany

#### *Overview of the selected products*

Extended warranties are often purchased by German consumers to cover for future damages to electronic devices, especially for mobile phones<sup>192</sup>.

According to a market test run by Finanztest – Stiftung Warentest<sup>193</sup>, simple extended warranties normally protect German consumers against repair costs for product defects – beyond the first two years of the statutory liability of the seller. If the washing machine, the coffee machine or the TV can no longer be repaired or the repair costs exceed the fair value, consumers are generally paid a replacement or the fair value.

Additional extended warranties offer consumers, in addition to the repair of product defects, protection against falls, liquid damage and, in some cases, theft. Many everyday situations in which the device is stolen are excluded from these warranties.

Home assistance insurance coverage in Germany is included within household building and content insurance coverage. Reparations related to fire, lightning strike, explosion, storm and hail, cuts in tap water and overvoltage fire damages are normally included in the house content and building insurance (i.e. bursting water pipes, damages caused by water to cables and related equipment, water supply and disposal, break of: radiators, washers, dishwashers, air conditioners, heat pumps, even damages to aquariums or water beds can be included). However, reparations related to glass break are covered by an additional insurance policy that can be contracted under house building and content insurance (Glasbruch insurance)<sup>194</sup>. This covers damages that can occur, for example, on glass doors and glass blocks, ceramic panels, shower cubicles, but also in winter gardens. This insurance coverage is especially useful for houses with large outdoor places<sup>195</sup>.

In Germany, there are five types of travel insurances that can be contracted for a single travel or for a fixed period of time. Travel interruption insurance can only be contracted in combination with travel cancellation insurance<sup>196</sup>. The different types are:

- Travel cancellation insurance (Reiserücktrittskostenversicherung);
- Travel interruption insurance (Reiseabbruchversicherung);
- Travel luggage insurance;

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<sup>192</sup> Stifting Warentest, 2015, Garan-tieverlängerung für Elektrogeräte. Available at:

<https://www.test.de/Garantieverlaengerung-fuer-Elektrogeraete-Was-der-teure-Schutz-leistet-4942185-0/>

<sup>193</sup> Stifting Warentest, 2015, Garan-tieverlängerung für Elektrogeräte. Available at:

<https://www.test.de/Garantieverlaengerung-fuer-Elektrogeraete-Was-der-teure-Schutz-leistet-4942185-0/>

<sup>194</sup> GDV, 2015, House Building insurance. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002\\_Wohngebaeude\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002_Wohngebaeude_0615.pdf)

<sup>195</sup> GDV, 2015, House Building insurance. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002\\_Wohngebaeude\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5002_Wohngebaeude_0615.pdf)

<sup>196</sup> GDV, 2015, Reisenversicherung. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5013\\_Reisen\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5013_Reisen_0615.pdf)

- Travel protection insurance (emergency aid);
- Travel health insurance.

Travel cancellation insurance (Reiserücktrittskostenversicherung) will cover the cancellation fee costs if the insured is not able to travel because of:

- death, serious injury or an unpredicted illness;
- injuries to the insured due a) to natural hazards (fire, explosion, floods etc.) or b) to intentional criminal act of a third party;
- inoculation incompatibility or pregnancy;
- Job loss due to unexpected dismissal for operational reasons or unexpected start of an employment contract (only if the insured in the travel booking was registered as unemployed).

In addition to the travel cancellation insurance, German consumers can hire a travel interruption insurance. This insurance covers additional costs incurred if the insured has to return home earlier than expected or if the insured is forced to stay longer at the place travelled. The damages covered by this insurance include:

- death, serious injury or an unpredicted illness;
- injuries to the insured due a) to natural hazards (fire, explosion, floods etc.) or b) to intentional criminal act of a third party unless damages are too high or the presence of the insured is required for damage explanation.

The above-mentioned insurances do not only cover the insured but also other individuals at risk, for example:

- person travelling with the insured;
- relatives of the traveller (insured);
- a person that is not included as fellow traveller, underage and/or dependent family member.

The travel luggage insurance covers the cost of luggage/suitcase when it gets stolen. It will not only cover all the travel baggage of the insured but also from family members traveling with the insured against robbery, transport accident, natural hazard and other not humanly controlled events.

The following items will be covered with previously defined cost coverage:

- **All personal items the insured needs to travel with;**
- **checked baggage, for example at a station or at the hotel;**
- **video and photo cameras, jewellery, souvenir gifts and other IT devices;**
- **Sports equipment, including accessories, as long as these are not in use (for example: skis that were at the hotel).**

This insurance type can be contracted for a weekly, monthly or annual basis, and can be hired through an insurance company and online/offline travel agencies. Based on the sum insured, the amount of financial coverage can be set. Some insurance companies have a set of restrains when it comes to the coverage of jewellery, video and photo cameras and other IT devices<sup>197</sup>. Moreover, the travel luggage insurance also covers the current market value of the insured lost belongings. The amount provided by the insurance company, in

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<sup>197</sup> GDV, 2015, Reiseversicherung. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5013\\_Reisen\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5013_Reisen_0615.pdf)

order for the insured to purchase the missing item, will be reduced considering the life and usage of the missing item<sup>198</sup>.

Travel protection insurance helps travellers with any practical problems they might encounter while travelling. Above all, it helps them with language and cultural difference that might lead to any legal misunderstandings. The insured benefits from: help in the case of illness, accident and death when travelling, reimbursement of expenses for the return journey (even if the insured was previously ill), transport between a primary care facility to hospital, notification to families, reimbursement of travel expenses for a family member if the insured hospital stay is above 5 to 10 days, advance payment of hospital costs, cover costs related to third party involved the hospital treatment, cover costs related to the assistance in case the insured lost money or is being persecuted, and costs of lawyer and/or interpreter hired.

Travel health insurance is considered essential in Germany<sup>199</sup> because of the following reasons:

- the German social security system only covers health costs incurred when traveling in a EU country or other countries that Germany has specific health insurance agreements with. Exceptions apply to individuals who are: chronically ill and foreseeable to be treated during a trip abroad (individuals suffering from diabetes);
- high medical expenses are not covered by the German social security system, such as hiring a helicopter;
- outside Europe, the majority of health costs incurred while travelling will need to be paid by individuals. This means that any treatment costs will not be reimbursed by the German social security, although especially in the US, health treatments are very expensive;
- the German social security does not cover any repatriation travel costs due to an illness.

Due to the listed reasons above, a private travel health insurance is considered necessary by the Hamburg consumer association<sup>200</sup> especially when travelling outside Europe. Private travel health insurance companies normally only offer coverage for a maximum of three months, therefore consumers must double check whether repatriation is included in their insurance coverage. A private travel insurance policy can absorb possible excess and secure premium refunds.

The activities covered by private travel insurance companies are:

- medical treatment for acute illnesses and emergencies;
- inpatient treatment;
- painkilling dental treatment;
- Drugs, dressings and remedies;
- Necessary medical transport to Germany;
- Repatriation in case of death of the insured person or costs for funeral expenses abroad.

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<sup>198</sup> GDV, 2015, Reiseversicherung. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5013\\_Reisen\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5013_Reisen_0615.pdf)

<sup>199</sup> VZHH, 2016, Versicherungen fuer die Reise. Available at: <http://www.vzhh.de/versicherungen/30366/versicherungen-fuer-die-reise.aspx>

<sup>200</sup> VZHH, 2016, Versicherungen fuer die Reise. Available at: <http://www.vzhh.de/versicherungen/30366/versicherungen-fuer-die-reise.aspx>

Private travel health insurance policies can be contracts for both a temporary policy with a certain number of travel days as well as an annual policy for any number of trips within one year. There are also contracts for prolonged trips abroad.

Nowadays in the German insurance market, there is a wide range of short term holiday insurance products sold as a complete package. Various options are available: <sup>201</sup>

- Travel health insurance (important for both social security insured and privately insured);
- Travel luggage insurance;
- Travel cancellation insurance (Reiserücktrittskostenversicherung);
- Travel interruption insurance (Reiseabbruchversicherung);
- Travel protection insurance (emergency aid).

In addition to the five above-mentioned short-term travel insurance policies, personal liability, legal expenses and travel accident policies can be included in a bundle. All these packages can be purchased through the travel agency. Travel protection insurance usually includes a car and travel protection plan that applies to all rides with private vehicles abroad (i.e. covering for costs in case of breakdown or accident).

#### *Overview of the national market*

The total number of travel health insurance contracts has fluctuated from 2011 to 2015, reaching its highest number in 2015 with 26.059 million travel health insurance contracts sold.

Table 54: Travel health insurance - number of contracts in Germany (in million)

	2011	2012	2013	2014	2015
Total	24.937	24.706	24.286	24.377	26.059

Source: GDV, 2016, Statistical Yearbook of German Insurance

No information specific to extended warranty and home assistance was available.

#### *Overview of premiums*

Earned premiums for travel health insurance have also fluctuated from 2011 to 2015, with a peak in 2011 with 383 million EUR.

Table 55: Travel health insurance - earned premiums in Germany (in million EUR)

	2011	2012	2013	2014	2015
Total	383	369	372	381	355

Source: GDV, 2016, Statistical Yearbook of German Insurance

No data on premiums specific to extended warranty and home assistance were available.

<sup>201</sup> GDV, 2015, Reiseversicherung. Available at: [http://www.gdv.de/wp-content/uploads/2015/09/GDV-5013\\_Reisen\\_0615.pdf](http://www.gdv.de/wp-content/uploads/2015/09/GDV-5013_Reisen_0615.pdf)

*Overview of data on claims*

No data on claims specific to add-on insurance were available.

## 2.1.6. Sales practices and distribution channels

*Practices of non-life insurers in Germany*

Consumers in Germany have a broad choice of providers, ranging from regional insurers to globally operating companies. In 2014, 207 German insurance companies provide non-life insurance products all over Germany while seven German insurance companies cover only specific German regions.<sup>202</sup>

The table below shows the evolution of distribution channels for non-life insurance. We can observe that single tied/insurance group intermediaries have been the most popular distribution channel of non-life insurance products in Germany from 2011 to 2014 counting for 46.4% of non-life insurance products in 2014.

Table 56: Distribution channels for non-life insurance in Germany

	2011	2012	2013	2014
Single-tied or insurance group intermediaries	47,9	47,6	45,6	46,2
as main occupation	43,2	43,2	41,0	N/A
as side job	2,6	2,3	2,3	N/A
employed field staff	2,1	2,1	2,3	N/A
Brokers and multiple agents	32,3	31,6	30,6	30,0
brokers	29,3	28,5	27,8	28,4
multiple agents	3,0	3,1	2,8	2,6
Credit institutions	5,8	6,1	6,0	6,0
as single-tied intermediaries	3,7	3,9	3,9	N/A
as brokers and multiple agents	2,1	2,2	2,1	N/A
Direct selling	9,7	10,4	12,4	12,0
Other	4,3	4,3	5,4	4,8

Source: GDV, 2015, Statistical Yearbook of German Insurance

Even in the age of digitization, German consumers prefer to get personal advice – through a single tied agent or broker- when purchasing insurance products<sup>203</sup>. According to the interviewee from BAFIN, there are over a million intermediaries in Germany and the

<sup>202</sup> BAFIN, 2014, Erstversicherungsstatistik. Available at: [https://www.bafin.de/DE/DatenDokumente/Statistiken/Erstversicherung/erstversicherung\\_node.html:jssessionid=7222B01940019D51C86E88E4CE15CC5C.1\\_cid363](https://www.bafin.de/DE/DatenDokumente/Statistiken/Erstversicherung/erstversicherung_node.html:jssessionid=7222B01940019D51C86E88E4CE15CC5C.1_cid363)

<sup>203</sup> GDV, 2016, So schließen Versicherungskunden ihre Verträge ab. Available at: <http://www.gdv.de/2016/01/so-schliessen-versicherungskunden-ihre-vertraege-ab-2/>



majority are tied agents working for credit institutions, insurance companies and car brands. This corroborates GDV statistics indicating that 46,2% of non-life insurance contracts in 2014 were concluded either by single-tied intermediaries working for an insurance company or single tied intermediaries working for other entities (excluding credit institutions). As it is also highlighted in Table 56, intermediaries are important actors for insurance companies, thus they are well educated and constantly developing new skills to advice better German consumers according to the GDV<sup>204</sup>.

There are differences on how insurance products are sold/distributed in cities and in the countryside, according to the Federation of German Consumer Organisations (VZBV) interviewee. Brokers are the most common distribution channel in towns, as they offer non-life insurance products from different insurance companies allowing consumers to choose from a range of options. According to the representative of BAFIN, it is popular to have a personal broker that advises consumers personally on their insurance portfolio. Moreover, the representative of VZBV highlighted that in the German insurance market, providers are constantly looking for new consumers, and influence how information is provided and found by consumers.

Direct sales through online and comparison portals are growing – but less dynamically than might be expected<sup>205</sup>. However according to a ECC study<sup>206</sup>, internet distribution has developed considerably over the past few years in Germany, especially for products of motor (notably third-party liability). Motor insurance products do not require an intensive consulting service and are thus easier to sell online<sup>207</sup>. According to a VZBV interviewee, comparison tools empower German consumers to buy insurance online as these offer a good overview of the available products by insurance providers without the need to navigate through **each individual insurer's website**. A study conducted by Müller-Peters<sup>208</sup> showed that comparison portals like to advertise with the promise of high savings. In this study, 500 private vehicle owners that are active internet users tested three different portals: two insurance calculators and one site of a direct insurer. Compared to the actual current insurance portfolio of the internet-active sample, most of these promises of savings were exaggerated. Nevertheless, the testers averagely found economically priced contracts, and at least every second person could significantly save money by changing insurances: on average, slightly more than 100 EUR per annum.

Furthermore, a recent study "**Der vernetzte Autofahrer**" (the connected car driver)<sup>209</sup> showed that German consumers are willing to share information with companies, if offered lower premiums. The study showed that 35% of the 1,021 people asked agree to share car usage information with insurance companies in order to have reduced insurance premiums, while 58% of the participants did not want to share information in case of accident (i.e. accident location, speed at time of collision, number of people in the vehicle etc.), in fear of being charged higher premiums.

The online comparison tools in Germany are increasingly popular with consumers, particularly for life and car insurance products according to VZBV and GDV interviewees. Moreover, travel insurance and car rental insurance are commonly sold online and easy to

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<sup>204</sup> GDV, 2016, So schließen Versicherungskunden ihre Verträge ab. Available at: <http://www.gdv.de/2016/01/so-schliessen-versicherungskunden-ihre-vertraege-ab-2/>

<sup>205</sup> GDV, 2016, So schließen Versicherungskunden ihre Verträge ab. Available at: <http://www.gdv.de/2016/01/so-schliessen-versicherungskunden-ihre-vertraege-ab-2/>

<sup>206</sup> Franco-German ECC, 2014, Der europäische Versicherungsbinnenmarkt, Grenzüberschreitende Versicherungsverträge: Abschluss oder Ausschluss? Available at: [http://www.evz.de/fileadmin/user\\_upload/eu-verbraucher/PDF/Berichte/FINAL\\_Studie\\_Versicherungsbinnenmarkt.pdf](http://www.evz.de/fileadmin/user_upload/eu-verbraucher/PDF/Berichte/FINAL_Studie_Versicherungsbinnenmarkt.pdf)

<sup>207</sup> Ernst and Young, 2014, Global insurance outlook. Available at: <http://www.ey.com/Publication/vwLUAssets/EY-2014-global-insurance-outlook/%24FILE/EY-2014-Global-insurance-outlook.pdf>

<sup>208</sup> Prof. Horst Müller-Peters, Cologne University of Applied Science, 2012, **Vergleichsportale und Verbraucherwünsche**

<sup>209</sup> Prof. Horst Müller-Peters, Cologne University of Applied Science, 2012, **Der vernetzte Autofahrer**

look for in comparison websites as they have a short-term duration and large switching rate.

The German National authority noted that the usage of comparison tools for purchasing other non-life insurance is less common among consumers due to the complexity of the product and individual needs of consumers.

In Germany, according to Sections 312 et seq. and Sections 355 et seq. of the German Civil Code<sup>210</sup>, all kinds of consumer contracts including distance and off-premises contracts must ensure that certain specific information is provided to the consumer before they enter a contract<sup>211</sup>. For example, sellers need to provide consumers with a model withdrawal/cancellation form and detailed information on their withdrawal or cancellation rights<sup>212</sup>. Moreover, if businesses would like to charge for optional add-on products and services, for example an extended warranty, these must get express consent from the consumer to make the additional charge for the add-on item. Consent cannot be inferred from the consumer not changing a default option; this means that businesses must not use pre-ticked boxes to add such extras on to the main contract.

In Germany, there is a weak standardization of non-life insurance products as some are difficult to standardise, such as household insurance according to representative of the VZBV. For some products, especially for complex products like house content policies, it is difficult to provide one-size-fits-all standardization policy.

Since 2007, insurers are obliged to provide a product information sheet providing information of particular importance to the conclusion or the performance of the contract and delivering the insurance policy conditions before signature of the contract.<sup>213</sup> For some non-life products, the VZBV interviewee mentioned that a standard product information sheet is complicated to be set as they include too many different risks and features. Risks are difficult to standardise, for example in the case of travel insurance. Some travel insurance products might cover the costs if health complications occur while travelling, while other insurers might not. Travel insurance has many types of coverage which are not easy to standardise and therefore more difficult to sell online, according to the VZBV.

In terms of discriminatory practices linked to age, German consumer associations report many cases of old people required to pay higher premiums for third-party liability insurance and car theft insurance because of their age<sup>214</sup>. Young drivers experience the same situation. For example, a 30-year-old driver with a Golf TDI built in 2003 with a mileage of 10,000 kilometres pays yearly around 306 EUR for third party liability insurance plus partial coverage insurance, while a 20-year-old driver would pay 498 EUR and a 70-year-old driver 374 EUR.<sup>215</sup> The figure below shows, under the before-mentioned insurance coverage, the annual premium consumers pay by age.

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<sup>210</sup> German Civil Code. Available at: [http://www.gesetze-im-internet.de/englisch\\_bgb/englisch\\_bgb.html#p1060](http://www.gesetze-im-internet.de/englisch_bgb/englisch_bgb.html#p1060)

<sup>211</sup> German Civil Code. Available at: [http://www.gesetze-im-internet.de/englisch\\_bgb/englisch\\_bgb.html#p1060](http://www.gesetze-im-internet.de/englisch_bgb/englisch_bgb.html#p1060)

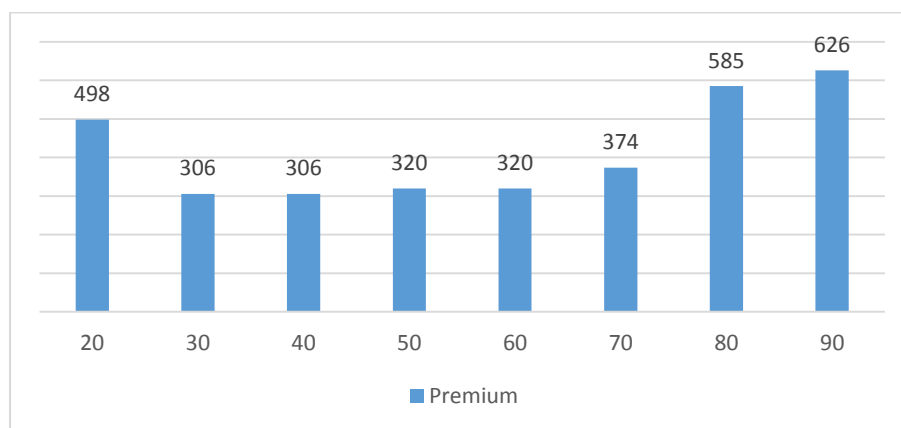
<sup>212</sup> Consumer rights directive - significant changes to consumer rights in the EU <http://www.kwm.com/en/es/knowledge/insights/consumer-rights-directive-significant-changes-to-consumer-rights-in-the-eu-20140424>

<sup>213</sup> Ordinance Governing the Supply of Information within the Scope of the Insurance Contract Act

<sup>214</sup> Meine Finanzen, 2015, Autoversicherung wird richtig teuer. Available at: <http://www.faz.net/aktuell/finanzen/meine-finanzen/versichern-und-schuetzen/senioren-zahlen-mehr-fuer-autoversicherung-als-junge-leute-13889913.html>

<sup>215</sup> Meine Finanzen, 2015, Autoversicherung wird richtig teuer. Available at: <http://www.faz.net/aktuell/finanzen/meine-finanzen/versichern-und-schuetzen/senioren-zahlen-mehr-fuer-autoversicherung-als-junge-leute-13889913.html>

Figure 21: Motor insurance premiums by age in Germany



Source: Frankfurter Allgemeine, 2015, Autoversicherung wird richtig teuer

Pursuant to Article 19 of the General Act on Equal Treatment<sup>216</sup>, elderly people should not be disadvantaged because of their age (including insurance contracts). However, paragraph 20 of the same law restricts this principle in cases where limits are based on recognized principles of risk-adequate pricing, and in particular an actuarially determined risk assessment.

To rent a car in Germany the driver must be at least 18 years old (car rental age requirements may vary by rental category) and have held the driving license for 1-3 years depending on the rental car category reserved. Drivers age 18-22 must purchase CDW. Drivers under the age of 25 may incur a young driver surcharge<sup>217</sup>.

Discriminations linked to age are also observed in travel insurance, for which elderly people pay a higher premium than other age groups. For instance, the Office to Fight Age Discrimination reports that the travel insurer AXA increased the premium of a consumer from 165 EUR to 320 EUR because he was over 70 years old<sup>218</sup>.

### 2.1.7. Key features of cross-border transactions

#### *Cross-border sales*

German consumers can purchase non-life products from foreign companies as 59 EU companies operate in Germany through freedom of establishment and 886 by way of freedom of services in 2014. Products and services of foreign insurers have been playing an important role on the market for a long period – including the German subsidiaries of foreign insurance providers. These account for about 25% of the premium income on the German primary insurance market<sup>219</sup>. The table below shows the number of foreign insurance companies operating in Germany from 2011 to 2014.

<sup>216</sup> The General Act on Equal Treatment, 2006. Available at: [http://www.antidiskriminierungsstelle.de/EN/TheAct/theAct\\_node.html](http://www.antidiskriminierungsstelle.de/EN/TheAct/theAct_node.html)

<sup>217</sup> Auto Europe, Information about car renting and driving in Germany. Available at: <http://www.autoeurope.com/go/driving-information/germany/>

<sup>218</sup> Büro gegen Altersdiskriminierung, 2015, Axa: Ab 70 wird Reiserücktrittsversicherung teurer. Available at: <http://www.altersdiskriminierung.de/themen/artikel.php?id=6639>

<sup>219</sup> Franco-German ECC, 2014, The European Single Insurance Market Cross-border insurance contracts: conclusion or exclusion? Available at: [http://www.cec-zev.eu/fileadmin/user\\_upload/cec-zev/PDF/documentation/etudes/assurances\\_resume\\_anglais.pdf](http://www.cec-zev.eu/fileadmin/user_upload/cec-zev/PDF/documentation/etudes/assurances_resume_anglais.pdf)

## Country fiches

Table 57: Foreign primary insurers with German business written through establishments or by way of freedom of services

	2011	2012	2013	2014
Establishment (EEA companies)	60	60	59	59
Establishment (non-EEA companies)	4	3	3	3
Operating by way of freedom of services	938	931	899	886

Source: GDV, 2015, Statistical Yearbook of German Insurance

On the other hand, German insurers have a strong market presence abroad. They operate on foreign markets mainly through subsidiaries according to the VZBV interviewee. As an alternative to establishing own subsidiaries in other Member States, insurers may cooperate with insurers in other countries through "European networks", as highlighted by the GDV in its answer to the Green Paper on Retail Financial Services consultation. In this case, the network partner in the target country will issue – following the instructions of the home insurer – an appropriate local policy documentation conforming to all specific local requirements. The local policy will be re-insured with the home country insurer. Intermediaries (brokers) also operate on international networks. The table below shows the number of gross insurance premiums written by German insurance through FOE and FPS. Gross written premiums increased steadily for German companies operating in other EU countries through establishments during 2011 and 2013.

Table 58: Insurance gross written premiums by German primary insurers in EEA countries by insurance class (million EUR)

Insurance class (non-life)	2011	2012	2013
GWP through establishments			
accident/health insurance	83.6	75.3	103.2
motor TPL insurance	10.9	11.9	16.6
other motor insurance	12.8	14.0	16.5
fire and other property insurance	405.8	330	482.2
marine and aviation insurance	259.1	255.2	390.6
general liability insurance	383.4	453.3	588.5
credit and surety insurance	5.5	2.5	2.7
other insurance classes	273.7	558.6	665.1

Country fiches

Insurance class (non-life)	2011	2012	2013
non-life insurance	1,434.7	1,700.8	2,266.3
GWP by way of freedom to provide services			
accident/health insurance	14.9	16.5	25.3
motor TPL insurance	12.4	10.4	10.4
other motor insurance	0.7	0.7	0.7
fire and other property insurance	43.6	57.1	67.3
marine and aviation insurance	52.2	69.3	64.3
credit and surety insurance	22.5	20.4	24.1
general liability insurance	139.9	20.4	24.1
other insurance classes	32.4	62.6	81.9
Non-life insurance	318.7	290.7	325.3

Source: GDV, 2015, Statistical Yearbook of German Insurance

According to a ECC study<sup>220</sup>, through 47% of the selected insurance companies (144), consumers can conclude an insurance contract online, however only 9.7% offer cross-border contracts to consumers with a principal residence different from the country of origin of the insurance company.

According to the VZBV interviewee, German consumers seek security and reliability when making cross-border transactions and buying insurance products online. The legislative framework laid down in Regulation 765/2008<sup>221</sup> can serve as a basis to achieve an appropriate level of security and consumer protection for innovative online insurance services across Europe, according to GDV response to Green Paper on retail financial services consultation.<sup>222</sup> Article 1.2 highlights that it is necessary to ensure that products benefiting from the free movement of goods in Europe fulfil requirements providing a high level of protection of public interest such as health and safety in general. The Regulation provides rules for a framework on market surveillance and accreditation to ensure an effective transit of goods.

<sup>220</sup> Franco-German ECC, 2014, The European Single Insurance Market Cross-border insurance contracts: conclusion or exclusion? Available at: [http://www.cec-zev.eu/fileadmin/user\\_upload/cec-zev/PDF/documentation/etudes/assurances\\_resume\\_anglais.pdf](http://www.cec-zev.eu/fileadmin/user_upload/cec-zev/PDF/documentation/etudes/assurances_resume_anglais.pdf)

<sup>221</sup> Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93. Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:218:0030:0047:en:PDF>

<sup>222</sup> Consultation on Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

### *Main factors limiting cross-border insurance purchases*

As noted by the GDV in its reply to the Green paper on retail financial services consultation, German consumers that purchase insurance products in another member state lack information about the availability of out-of-court settlement schemes for cross-border disputes.

Moreover, consumers complain about a lack of appropriate personal advice when it comes to cross-border sales according to the VZBZ interviewee. However, according to the GDV, appropriate advice as well as a thorough understanding of service providers and of products acquired are not obstacles to be overcome, but are important elements of a diverse European insurance market providing different types of services to different types of consumers.

According to the GDV reply to the Green Paper on retail financial services consultation, motor insurance is closely tied to German national liability insurance law, as well as road related factors such as: local driving behaviour, weather conditions or road terrain that affect driving ability, and local traffic conditions that can increase the risk of accidents. Therefore, geographical proximity, understanding of regional road behaviour and German legal knowledge impede foreign insurance companies to provide a better or equally effective service as a German insurance company.<sup>223</sup>

Household insurance faces similar factors. The regulations of Civil Code and insurance contract law (i.e. building regulations) have to be followed by companies wishing to provide insurance in Germany. In building insurance, geological (earthquake, land subsidence), meteorological (storm, hail) and technical risks (fire, leakage) need to be taken into account, as well as factors such as preventive risk factors, loss prevention measure, vulnerability of different building materials and firefighting. In claims settlement, crucial obstacles limiting cross-border insurance purchases are local standards as well as laws and regulations for construction or ecological modernisation.

### *Interventions to increase cross-border demand*

As noted by the VZBV, a vehicle registration scheme would enhance cross-border demand in motor vehicle insurance products. For this purpose, a European-wide recognized temporary license plate, linked to insurance cover, should be created, which the buyer could bring from his/her Member State to the country of purchase and attach to the purchased vehicle for the trip home.

As far as insurance products are concerned, the GDV is calling for the full renewal of the Insurance Block Exemption Regulation (IBER) in 2017.<sup>224</sup> GDV highlighted in its answer to the Green Paper on retail financial services consultation that IBER facilitates the entry of newcomers to markets (particularly foreign markets) in two ways. First, IBER provides a safe haven for the exchange of statistics on risk data. This data improves the calculation of the capital required by insurers to cover risks and thus, a risk-appropriate premium for the consumer. It is especially valuable for new entrants, since such risk data is individual to any market but is typically only held by incumbents in that market. Without

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<sup>223</sup> Consultation on Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>224</sup> Reply of GDV to the consultation on Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

valid risk data, market entry is extremely difficult. Secondly, IBER facilitates the creation of co-insurance schemes. Particularly for small and medium-sized insurers, cooperation with other insurers within co-insurance schemes increases access to know-how, markets and market segments, which would otherwise be unreachable. Therefore, IBER enhances the variety of products and coverage available to consumers at lower prices. The cooperation facilitated by the IBER assists insurers in offering innovative products and **services meeting consumers' constantly evolving needs and expectations, including those** resulting from the fast emergence of new risks.

## 2.2. Consumer decision-making in the non-life insurance market- evidence from Germany

### 2.2.1. Consumer understanding

Consumer understanding regarding non-life products in Germany is higher compared to other European countries. According to the ECC-net, as German consumers prefer to be over-insured they are prone to look more into the different non-life products and risks covered by these products. However, according to a BAFIN interviewee, consumers tend to find it difficult to understand certain contractual conditions, and the need of German consumers to be over-insured causes duplication of certain insurance policies (i.e. house insurance).

According to the VZBV interviewee, consumers like proximity, they prefer to negotiate with an insurance company which is close and accessible. Long-term B2C relationships between customers, insurers and distributors are characterised by **trust in the insurers' and distributors' services. To establish such trust, close customer relationship as well as** language and geographical proximity between the individual customer and his or her distributor or insurer can become important factors.

The product information sheets of policy insurance products (contractual terms) provide detailed legal information that it is not easy for consumers to understand according to the VZBV. Thus, consumers tend to sign insurance contracts without understanding the general conditions of the contract. The misunderstanding of contractual terms also triggers the lack of pay-out due to exceptions or other provisions.

### 2.2.2. Type of problems

**According to the VZBV interviewee, the main problem of consumers in Germany's non-life insurance market is the misunderstanding of general conditions of the contract.**

Moreover, the GDV reported cases of small insurance products being sold by non-insurance experts (such as electronic products retailers) who do not always fully understand the insurance products they sell and often act motivated by commissions that they do not disclose to consumers. As a result, customers may end up buying an insurance product without being adequately informed about its characteristics<sup>225</sup>.

### 2.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

Receivers of customer complaints are the German Insurance Ombudsman and the German supervisory authority (BaFin), in addition to consumer organisations. The Ombudsman

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<sup>225</sup> EIOPA, 2014, Fourth Consumer Trends Report. Available at: [https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-233%20-%20EIOPA\\_Fourth\\_Consumer\\_Trends\\_Report.pdf](https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-233%20-%20EIOPA_Fourth_Consumer_Trends_Report.pdf)

Report 2015<sup>226</sup> includes data on complaints against insurers and complaints against **insurance intermediaries that were submitted in 2015**. BaFin's 2015 yearly statistics report includes complaints against insurers that were submitted to BaFin in 2015.

According to BaFin and German Insurance Ombudsman recorded complaints against German insurance companies and German insurance companies based in EEA country throughout the past 5 years, the total number of complaints received has decreased by 26% from 2011 to 2015. The table below shows the number of complaints received by BaFin and the German Insurance Ombudsman for non-life insurance products. The number of building insurance complaints has been the largest over the last five years (2011-2015).

Table 59: Complaint statistics (in thousands)

	2011	2012	2013	2014	2015
Motor vehicle third party liability insurance	852	877	856	750	894
Comprehensive motor vehicle insurance	541	511	584	671	887
Building insurance	1093	950	905	1197	1208
Accident insurance	932	846	994	915	839
Content insurance	743	700	783	825	832
General Liability insurance	654	566	582	624	646
Other types	921	902	971	1405	1478

Source: German Insurance Ombudsman, 2015, Yearbook of German Insurance Ombudsman

According to German Insurance Ombudsman 2015 yearbook, the most common termination type for admissible complaints is by a decision, particularly for house content (60.2%) and accident insurance (67.9%).

<sup>226</sup> German Insurance Ombudsman, 2015, Statistical yearbook. Available at: <http://www.versicherungsombudsmann.de/Ressourcen/PDF/Jahresbericht-2015.pdf>



Table 60: Distribution of termination types of admissible complaints per sector in % (2015)

	Decision	Referral	Redress	Out -of court settlement	Unsuitable	Withdrawal
Motor vehicle liability insurance	54,2	0,1	29,5	3,7	0,4	12,1
Comprehensive motor vehicle insurance	51,9	2,3	29,1	6,2	2,3	8,2
Building insurance	56,9	6,5	19,0	10,3	1,8	5,5
Accident insurance	67,9	1,2	16,6	7,6	0,3	6,4
Content insurance	60,2	5,7	15,8	9,7	4,0	4,6
General Liability insurance	57,8	1,0	25,4	8,6	1,3	5,9
Other types	29,4	1,9	49,4	8,2	1,7	9,4

Source: German Insurance Ombudsman, 2015, Yearbook of German Insurance Ombudsman

The German Insurance Ombudsman recorded 20.827 complaints related to both life and non-life insurance products in 2015<sup>227</sup>, an increase of 4.7% compared to previous years. Around 6500 complaints received in 2015 were related to non-life insurance products<sup>228</sup>.

Table 61: All insurance complaints received and completed by German Insurance Ombudsman

	2011	2012	2013	2014	2015
Received	17,733	17,263	18,740	19,897	20,827
Completed	18,056	17,735	18,803	19,507	20,980

Source: German Insurance Ombudsman, 2015/2014/2013/2012, Yearbook of German Insurance Ombudsman.

From the 20.827 complaints received by the German Insurance Ombudsman in 2015, 13,805 were admissible. There was an increase of 7.7% of admissible complaints received. Important increases in the number of admissible complaints were experienced for legal assistance and motor vehicle liability insurance products.

The ten most common types of all insurance customer complaints are described in the table below according to BAFIN's complaints data.

<sup>227</sup> From all types of insurance products

<sup>228</sup> German Insurance Ombudsman, 2015, Statistical yearbook. Available at: <http://www.versicherungsoombudsmann.de/Ressourcen/PDF/Jahresbericht-2015.pdf>

Table 62: Subjects of all insurance (life and non-life) complaints

Reason	Number
Type of claims processing /delays	1,364
Indemnification level	1,014
Coverage issues	972
Notice period	747
Advertising and consulting services	499
Contract changes and contract prolongations	467
Tariffs and claims questions	439
Payment of contributions and collection procedures	387
Premium regulation and changes in financial contributions	329
Quality of process (duration of the claim processing)	317

Source: BaFin, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht

#### *Overview of consumer complaints for household insurance*

The number of complaints filed against German insurers providing building and content insurance services is shown in the table below, from 2011 to 2015. The number of complaints for house building insurance has been considerably higher than for house content insurance through the past five years, although house content insurance contracts are sold more frequently than house building insurance contracts. However, the number of complaints received overall by household insurers in 2012, 2013 and 2014 was very low (less than 1%) compared to the number of household insurance contracts sold.

Table 63: Total number of complaints for household insurance

	2011	2012	2013	2014	2015
House building insurance	1,093	950	905	1,197	1,208
House content insurance	743	700	783	825	832

Source: German Insurance Ombudsman, 2015, Yearbook of German Insurance Ombudsman

The large majority of admissible complaints for house building and house content insurance products were terminated through a decision.

Table 64: Distribution of termination types of admissible household insurance complaints (in %)

	Decision	Referral	Redress	Out -of court settlement	Unsuitable	Withdrawal
House building insurance	56,9	6,5	19,0	10,3	1,8	5,5
House content insurance	60,2	5,7	15,8	9,7	4,0	4,6

Source: German Insurance Ombudsman, 2015, Yearbook of German Insurance Ombudsman

No more information was available on the subject of the complaints for household insurance.

According to the European Commission 2016 Consumer Market Scoreboard<sup>229</sup> and as illustrated in Table 10 of Annex I, 5.4% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 6.4 on a 0-10 range. 65.9% of the respondents having experienced at least one problem complained, including 44.8% to their retailer/provider. Thus, the share of German consumers having experienced problems and their level of detriment is close to the EU 28 average. However, the share of respondents who complained after experiencing a problem is lower than the EU 28 average and, in particular, none of the German consumers declared having complained to a third party complain body compared to 10.8% for the EU 28 average.

#### *Overview of consumer complaints for motor insurance*

The table below presents the number of consumer complaints regarding motor insurance in Germany received by BaFin. It shows a fluctuation of the number of motor insurance complaints, with a peak in 2013.

Table 65: Total number of complaints

Products	2011	2012	2013	2014	2015
Motor Insurance (General)	1157	1003	1161	1302	1252

Source: BaFin, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht

No more information was available on the subject of the complaints for motor insurance.

According to the European Commission 2016 Consumer Market Scoreboard<sup>230</sup> and as illustrated in Table 10 of Annex I, 3% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 6.2 on a 0-10 range. 80.4% of the respondents having experienced at least one problem complained, including 73.3% to their retailer/provider. Thus, the share of German consumers having experienced problems and their level of detriment are below the EU 28 average. The share of respondents who complained after experiencing a

<sup>229</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>230</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

problem is close to the EU 28 average but none of the German consumers declared having complained to a third party complain body compared to 12.4% for the EU 28 average.

#### *Overview of consumer complaints for car rental insurance*

According to the BAFIN answer to the Green Paper on retail financial services consultation, they receive few complaints related to car insurance products<sup>231</sup>.

#### *Overview of consumer complaints for add-on insurance*

No data on complaints specific to add-on insurance were available.

#### *Cross-border consumer complaints*

There is only one ECC for France and Germany. This joint ECC is based at the border, in Kehl, and deals with cross-border complaints of French and German consumers with any other European country's insurance company. The ECC gets in touch with the insurance professional of the other country via the ECC office in that country and tries to reach an amicable settlement to the dispute.

At cross-border level, the ECC interviewee reported few complaints due to the low amount of cross border insurance sales. According to him, between 1% and 2% of all complaints dealt with by the ECC network concern cross-border insurance products. These complaints concern mainly travel insurance, motor insurance (e.g. accident abroad), and household insurance (e.g. for holiday house abroad). Some complaints are also specific to the countries concerned **by the complaint (e.g. "decennial" insurance imposed on construction builders which exists in France but not in Germany)**.

#### 2.2.4. Access to information

Consumers in Germany have good access to non-life insurance products information as noted by the VZBV interviewee. National trade and consumer associations are actively working on new initiatives to help consumers understand the different products and products features (product information sheet). The product information sheet was introduced in Germany in 2008 under the insurance information regulation.<sup>232</sup>

GDV conducts monthly surveys and studies to have a clear view on which problems are the most common among consumers and insurers, in order to have the most updated information online. The last published study, in **September 2016, is called "the most important issues raised by consumers in relation to natural disaster insurance coverage"**.<sup>233</sup> According to the VZBV interviewee, they are working on an initiative to help consumers terminate insurance contracts. Germany also has sixteen consumer associations, one per region, that consumers can contact to discuss specific concerns about insurance services provided not only at national level but also at local level.

The German Insurance Association (GVD) provides monthly reports, newsletter and facts on the insurance sector. The last report published, in September 2016, highlights the

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<sup>231</sup> Consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>232</sup> Verordnung über Informationspflichten bei Versicherungsverträgen, 2007. Available at: [http://www.gesetze-im-internet.de/vvg-InfoV/\\_\\_\\_4.html](http://www.gesetze-im-internet.de/vvg-InfoV/___4.html)

<sup>233</sup> GDV, 2016, Die wichtigsten Umfrageergebnisse zum Naturgefahrenschutz im Überblick. Available at: <http://www.gdv.de/2016/09/die-wichtigsten-umfrageergebnisse-zum-naturgefahrenschutz-im-ueberblick/>

diversity of suppliers in the insurance market.<sup>234</sup> GVD is also present in social media through twitter<sup>235</sup> with over 3.700 followers.

Internet is becoming a popular source of information about insurance products for German consumers as noted by the GDV. In 2014, there was an increase of 2.7% of German consumers looking for insurance products online, for which 15.7% did it with their smartphones. 17% of German consumers bought their car insurance online in 2014<sup>236</sup>. According to a study conducted by Müller-Peters<sup>237</sup>, online-oriented motor insurance purchasers now take completely new paths for obtaining information and making decisions. Using online media in the decision-making process is a matter of course for net-savvy customers. **“Media jumps” between the different sources of information are perfectly normal – especially for those who change contracts. This includes switching between online and offline channels (here, “research online, purchase offline” is preferred to the converse way “research offline, purchase online”) as well as jumps within the online or the offline world.**

Moreover, the Federal Financial Supervisory Authority (BAFIN) has a webpage<sup>238</sup> providing detailed information on non-life insurance products and a contact page where any stakeholder can provide a suggestion on how to improve insurance services. Moreover, BAFIN publishes reports on:

1. Legal bases
  - o Acts
  - o Regulations
  - o Decrees
2. Supervision
  - o Interpretative decisions
  - o Guidance notices
  - o Circulars

#### 2.2.5. Switching behaviour

In Germany, according to Article 12 of the Insurance Contracts Law, the duration of an insurance policy is one year unless the insurance premium is determined for shorter period. The contract cancellation notice period has to be the same for both parties, not less than one or more than three months. Additionally, if an insurance contract is signed for an unlimited period, it can be cancelled by both parties only for the ongoing contract period. Both parties can agree to forgo the right to cancel for two years. Moreover, an insurance contract, which was set for not more than 4 years, can be cancelled by the insured by the end of the third year or every following year with a term of 3 months.

In the case of motor vehicle insurance policy, the switching rate is high, reaching 30% in 2014, taking into account that high part of the switching rate is related to new car purchases.<sup>239</sup> This is due to the short duration of contracts (normally one year) and the large offer of car insurance products. In Germany, motor insurance contracts are prolonged by one year if they are not cancelled one month before expiry.<sup>240</sup> According

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<sup>234</sup> GDV, 2016, Anbietervielfalt statt Konsolidierungswelle. Available at: <http://www.gdv.de/2016/09/anbietervielfalt-statt-konsolidierungswelle/>

<sup>235</sup> [https://twitter.com/gdv\\_de](https://twitter.com/gdv_de)

<sup>236</sup> GDV, 2015, So suchen die Deutschen im Internet nach Versicherungen. Available at: <http://www.gdv.de/2015/03/so-suchen-die-deutschen-im-internet-nach-versicherungen/>

<sup>237</sup> Prof. Horst Müller-Peters Cologne university of Applied Science, 2013, Kundenverhalten im Umbruch?

<sup>238</sup> BAFIN, 2015, Privathaftpflichtversicherung auf einen Blick. Available at: [http://www.bafin.de/DE/Verbraucher/Finanzwissen/VA/Privathaftpflicht/privathaftpflichtversicherung\\_artikel.html](http://www.bafin.de/DE/Verbraucher/Finanzwissen/VA/Privathaftpflicht/privathaftpflichtversicherung_artikel.html)

<sup>239</sup> Die Welt, 2015, Das müssen Sie bei billigen Kfz-Policen beachten. Available at: <http://www.welt.de/finanzen/versicherungen/article148894960/Das-muessen-Sie-bei-billigen-Kfz-Policen-beachten.html>

<sup>240</sup> § 5 (5) 2 of the German Code

to the VZBV interviewee, each November car insurance holders can decide either to stay with the current contract or switch to a better option, irrespective of the date of their contract. Motor vehicle insurers are more present online than ever before, however Germans tend to go to their local and regional insurance provider to get or renew their motor insurance policy.

Due to the large amount of vehicle insurance policies offered currently, German consumers tend to change their vehicle insurance policy frequently. In 2015, 5,7 million Germans were willing to change their car insurance because of cheaper options available.<sup>241</sup>

As contracts have a one-year duration and can be switched in November, there is a large flexibility to change contract for motor vehicle insurance, and consumers can transfer their non-accident years (positive driving history) to the new provider.

For household insurance, the scenario is different, German consumers do not tend to change insurance coverage and stick to their local/regional insurance provider for a long period of time, according to VZBV interviewee. They will only decide to change providers in case insurance holders are not satisfied with insurers services, for instance because they did not cover certain house damages. Household damages do not occur as frequently as for other products in this study and household insurance contract have a long-term duration, therefore the switching rate is low. Duplication of household insurance contracts tends to happen in Germany. According to the VZBV interviewee, some people get married and move in together but forget to cancel one of the household insurance contracts.

#### 2.2.6. Consumer awareness

The following examples aiming at increasing consumer awareness have been identified in Germany:

- According to an interviewee from VZBV, this consumer association is working on a project to help consumers understand when they can terminate their contracts for non-life insurance projects.
- The GDV published an article on how Germans look for insurance online to raise awareness about this practice.<sup>242</sup>
- At cross-border level, the ECC also proposes comparisons of best practices across Member States on its website.<sup>243</sup>

### 2.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from Germany

#### 2.3.1. Factors potentially leading to problems with consumer decision-making

Interviewed stakeholders (GDV, VZBV and BAFIN) agreed that German consumers like to be well-insured. Moreover, as indicated by one of the VZBV, German consumers are not always aware of the different insurance products they have contracted and which risks these cover, therefore they might buy new insurance products that might cover risks for which they are already covered. Consumers are also not aware that many products cover their spouses as well.

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<sup>241</sup> Die Welt, 2015, Das müssen Sie bei billigen Kfz-Policen beachten. Available at: <http://www.welt.de/finanzen/versicherungen/article148894960/Das-muessen-Sie-bei-billigen-Kfz-Policen-beachten.html>

<sup>242</sup> GDV, 2015, So suchen die Deutschen im Internet nach Versicherungen. Available at: <http://www.gdv.de/2015/03/so-suchen-die-deutschen-im-internet-nach-versicherungen/>

<sup>243</sup> Franco-German ECC publications and best practices available at: <http://www.cec-zev.eu/index.php?id=26>

Moreover, the ECC interviewee argued that duplication rates tended to be rather common, in particular for travel insurance when consumers pay with premium credit cards which already include some insurance provisions.

### 2.3.2. Remedies that have been proposed or put in place

According to the GDV answer to the consultation on the Green Paper on retail financial services consultation, **consumers' access to safe and appropriate "fit-their-needs" products** is guaranteed due to recently introduced regulatory measures at EU level aiming at enhancing the transparency of products.<sup>244</sup> For example, the Product Information Document (PID) of the Insurance Distribution Directive (IDD) aims at providing consumers with standardised and understandable information enabling them to compare different products throughout Europe<sup>245</sup>.

Moreover, the GDV developed a new cloud solution, called Trusted German Insurance Cloud (TGIC)<sup>246</sup>, that will push efficient communication between brokers and insurers. Data exchanged will be standardized based on BiPRO norms (norms established by the Institute for Process Optimization) which have been developed jointly by insurance companies, intermediaries, associations, service providers, and other market participants. Consumers have different contracts with different insurance companies generating complex administrative processes, which will be significantly reduced by the implementation of this online communication tool among insurance market players. Consumers will benefit from tailored consumer services due to the up-to date information.<sup>247</sup> The project to improve communication processes between insurance brokers and insurance companies is currently in a pilot phase and will be rolled out throughout 2016<sup>248</sup>.

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<sup>244</sup> BAFIN, 2015, Federal Financial Supervisory Authority. Available at: [https://www.bafin.de/SharedDocs/Downloads/EN/Jahresbericht/dl\\_jb\\_2015\\_en.pdf?\\_\\_blob=publicationFile&v=2](https://www.bafin.de/SharedDocs/Downloads/EN/Jahresbericht/dl_jb_2015_en.pdf?__blob=publicationFile&v=2)

<sup>245</sup> Reply of GDV to the consultation on Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>246</sup> GDV, 2016, Makler Kommunikation. Available at: [http://www.gdv.de/wp-content/uploads/2016/01/GDV\\_Flyer\\_Maklerkommunikation\\_2016.pdf](http://www.gdv.de/wp-content/uploads/2016/01/GDV_Flyer_Maklerkommunikation_2016.pdf)

<sup>247</sup> GDV, 2016, Makler Kommunikation. Available at: [http://www.gdv.de/wp-content/uploads/2016/01/GDV\\_Flyer\\_Maklerkommunikation\\_2016.pdf](http://www.gdv.de/wp-content/uploads/2016/01/GDV_Flyer_Maklerkommunikation_2016.pdf)

<sup>248</sup> GDV, 2015, GDV aims to push efficient communication between brokers and insurers. Available at: <http://www.en.gdv.de/2015/06/gdv-aims-to-push-efficient-communication-between-brokers-and-insurers/>

### 3. Country Report: Italy

#### 3.1. Non-life insurance market

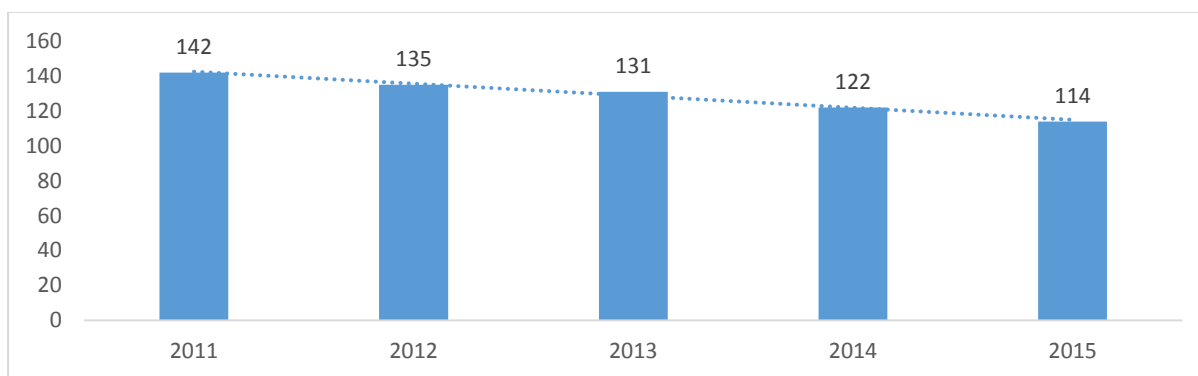
##### 3.1.1. Non-life insurance

###### *Overview of the national market*

The Italian non-life insurance market remains one of the top four European insurance markets<sup>249</sup>. In 2014 Germany, the UK, France and Italy non-life insurance markets accounted for 63.3% of total European non-life premiums (329 bn EUR)<sup>250</sup>.

Between 2011 and 2015, the number of Italian companies operating in the insurance market (both life and non-life) gradually decreased. The number contracted from 142 in 2011 to 114 in 2015<sup>251</sup>.

Figure 22 : Number of national insurance companies in Italy



Source: IVASS, 2016, *Relazione sull'attività svolta dall'Istituto nell'anno 2015*.

Of the 114 companies operating in 2015, 56 were in the non-life market. Of those, 12 were authorised by the national supervisory authority (Istituto per la Vigilanza sulle Assicurazioni – IVASS) to operate on both markets (life & non-life), while the remaining 44 operated exclusively on the non-life insurance market<sup>252</sup>. The authorisation is subject to minimum standards in terms of administrative structure and capital<sup>253</sup>.

Even if there are many actors operating in the Italian non-life insurance market, the market is still very concentrated. In 2015, the five biggest groups accounted for 71% of the overall market in terms of GWP. When taking into consideration the first 10 groups, the market concentration goes up to 86%. As shown in Figure 23, market concentration has been fairly constant since 2011<sup>254</sup>.

<sup>249</sup> PWC, 2015, *The Italian Insurance Market*. Available at:

<https://www.pwc.com/it/it/publications/assets/docs/italian-insurance-market.pdf>

<sup>250</sup> Insurance Europe, 2015, *European insurance in figures*. Available at:

<http://www.insuranceeurope.eu/sites/default/files/attachments/StatisticsNo50EuropeanInsuranceinFigures.pdf>

<sup>251</sup> IVASS, 2016, *Relazione sull'attività svolta dall'Istituto nell'anno 2015*. Available at:

[http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>252</sup> IVASS, 2016, *Relazione sull'attività svolta dall'Istituto nell'anno 2015*. Available at:

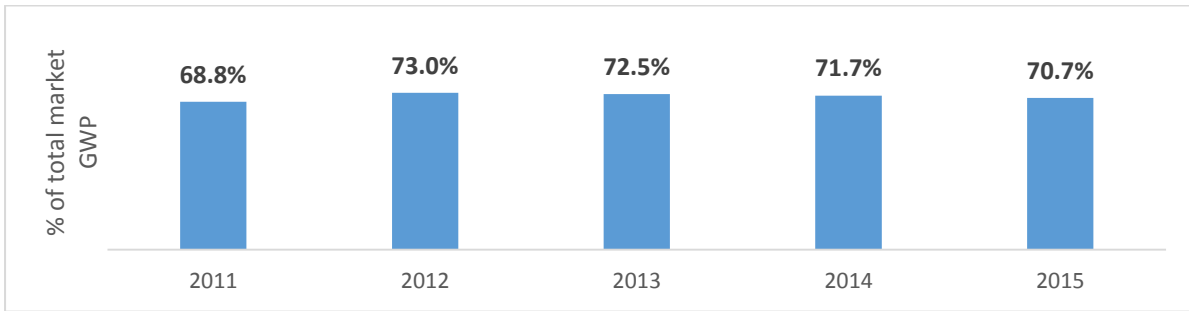
[http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>253</sup> *DirittoAssicurativo.it*, 2016, *l'Assicurazione in breve*. Available at: <http://www.dirittoassicurativo.it/ab-autorizzazione-amministrativa.asp>

<sup>254</sup> *DirittoAssicurativo.it*, 2016, *l'Assicurazione in breve*. Available at: <http://www.dirittoassicurativo.it/ab-autorizzazione-amministrativa.asp>



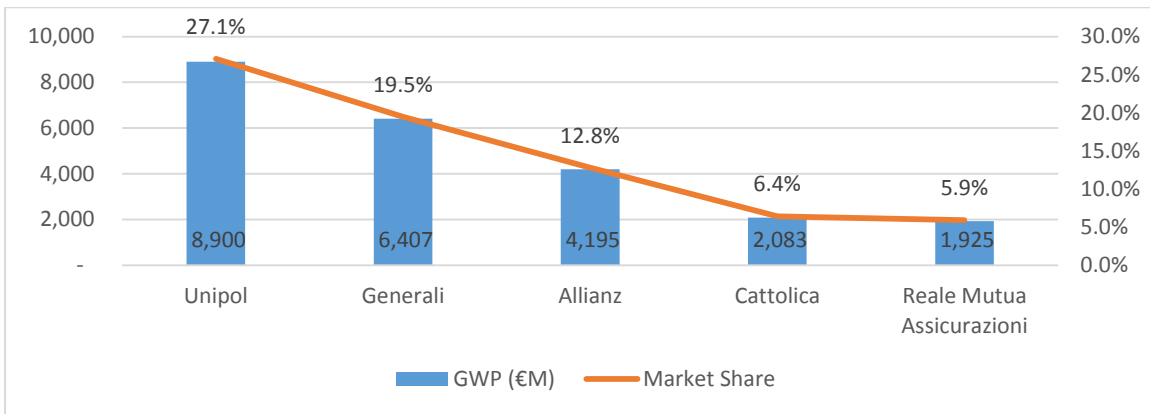
Figure 23: Italian Non-Life Market concentration – sum of five biggest players



Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

In 2014, the five biggest groups in the non-life insurance market were Unipol, Generali, Allianz, Gruppo Cattolica Assicurazioni and Reale Mutua Assicurazioni. Figure 24 summarizes their relative market share in terms of GWP.

Figure 24: Italian Non-Life Market concentration – five biggest players



Source: PWC, 2015, The Italian Insurance Market

Insurance penetration in Italy is high in global terms, but there is a lack of penetration and development of non-motor lines of business compared to other European countries<sup>255,256</sup>. Between 2011 and 2014, density (premiums per insured) in the Italian non-life market has been decreasing constantly from 569 EUR in 2011 to 500 EUR in 2014 (excluding health), as presented in Table 2 of Annex I. Similarly, penetration (Premiums to GDP) went from 2.1% in 2011 to 1.9% in 2014 (excluding health), as illustrated in Table 1 of Annex I.

The market profile with regard to the type of shareholding ownership and the industrial sector of the controlling entity is presented in table below. The data extracted are aggregated for both life and non-life insurance markets.

<sup>255</sup> PWC, 2015, The Italian Insurance Market. Available at: <https://www.pwc.com/it/it/publications/assets/docs/italian-insurance-market.pdf>

<sup>256</sup> IMF, 2013, Technical note on insurance sector. Available at: <https://www.imf.org/external/pubs/ft/scr/2013/cr13346.pdf>

Table 66 : GWP compared to ownership structure and parent group in the overall insurance market (life and non-life) – Year 2015

	GWP (Italian direct business) EUR	%
Companies controlled by EU foreign entities	34,752,231	23.6
Companies controlled by non-EU entities	5,006,008	3.4
Non-EU branches	472,814	0.3
Companies controlled by the State and by Italian public entities	19,030,848	13.0
Companies controlled by Italian private entities subdivided by dominant economic sector of the group, of which:	81,650,397	55.6
<i>industrial and services sectors</i>	443,160	0.5
<i>insurance sector</i>	51,937,955	63.6
<i>banking and financial sector</i>	29,269,282	35.8
Companies owned on a 50/50 basis by banks and insurance companies, of which:	6,041,340	4.1
<i>Italian insurance companies</i>	188,928	3.1
<i>foreign EU insurance companies</i>	5,852,412	96.9
Grand total	146,953,638	100

Source : IVASS, 2016, *Relazione sull'attività svolta dall'Istituto nell'anno 2015*.

The analysis of the data shows that in 2015 companies held by private Italian entities held 55.6% of the business in terms of GWP. Among the private Italian entities, those in the banking and financial sector were predominant, after the insurance sector. The presence of industry and services in the insurance sector was practically negligible.

Companies controlled by EU foreign entities constitute a substantial share of the market with 23.6% of the business in terms of GWP.

The reference legislation on insurance in Italy is the legislative decree no. 209 of 7 September 2005, Code of Private Insurance<sup>257</sup>, as last amended by legislative decree no. 74/2015 implementing Directive 2009/138/EC (Solvency II). The Code of Private Insurance lays down the fundamental rules with a framework of principles and powers and defines IVASS' competence. In particular, it assigns IVASS the power to issue secondary legislation (Regulations, Orders, etc.) and adopt prudential measures. The Code of Private Insurance codifies the rules relating to insurance with the sole exception of those contained in the Civil Code, in the law establishing IVASS (Law 135/2012, converting, after amendment, decree-law no. 95/2012) and some accounting rules. Other primary rules having relevance for the insurance sector concern the fight against money laundering and the financing of terrorism (legislative decree no. 231 of 21 November 2007 and subsequent modifications) and auditing.

IVASS' regulatory function includes the adoption of Regulations and General measures which are binding. In addition, IVASS issues recommendations and guidelines (soft regulation) by means of communications, letters to the market and circular letters. It also circulates explanatory documents, of a non-binding nature, aimed to share its expectations on specific issues with supervised entities<sup>258</sup>.

<sup>257</sup> Code of Private Insurance. Available at: <https://www.ivass.it/normativa/nazionale/primaria/index.html>

<sup>258</sup> IVASS, Normativa Secondaria di riferimento. Available at: <https://www.ivass.it/normativa/nazionale/secondaria-ivass/regolamenti/index.html>

The IVASS Regulation 35 of 26 May 2010<sup>259</sup>, referred to under Title XIII of the Code of Private Insurance, lays down the rules about pre-contractual information and the information to provide during the terms of the contract. Before concluding a contract, the insurer must provide the consumer with an information dossier containing an information note including a glossary, the terms of insurance and the proposal form. Insurers must also publish on their website the information dossier of their policies for motor and home insurance. The Regulation contains different models of information notes to be used by insurers, including a model for all non-life insurance products and a model specific to motor third party liability contracts. These models require to provide information on the insurance undertaking (name, asset/liability situation), on the contract (coverage and their limitations/exclusions, payment frequency, recourses, right of withdrawal, application of tacit renewal or not, law and taxation application to the contract) and on the settlement and complaint procedures (conditions of claims settlement, complaints procedure, arbitration).

Other secondary sources not issued by IVASS include government and ministerial regulations laying down provisions on specific matters, such as professional, good repute and independence requirements, guarantee funds and motor vehicle liability. Such ministerial decrees include, for example, the annual update of compensation amounts for damage resulting from car accident<sup>260</sup>, and a requirement for progressive substitution of evidence of M3PL insurance coverage from a material form ("*contrassegni*") towards an electronic system<sup>261</sup>. Moreover, the Decree n.98 of 28 April 2008 regulates the conditions and methods of administration, intervention and reporting of the Guarantee Fund for the victims of the road<sup>262</sup>, while the Decree n.19 of 30 January 2009 regulates the administration, funding and the intervention thresholds of the Guarantee Fund for insurance and reinsurance brokers<sup>263</sup>.

Some additional regulation can be found in the Traffic Code<sup>264</sup> such as the mandatory civil liability insurance imposed on all motored vehicles that do not move on rails (art.193). Mandatory car motor liability must cover at least 2,500,000,000 EUR of damages to people and/or property. For all other vehicles that do not move on rails the mandatory civil insurance must cover at least 5,000,000,000 EUR of damages to people and up to at least 1,000,000,000 EUR in case of damages to property.

The law n. 221/2012 abolished the possibility to sell multi-year civil liability insurance<sup>265</sup>. All mandatory civil liability insurance contracts for vehicles end after one year and cannot be automatically renewed.

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<sup>259</sup> IVASS, Regulation 35 of 26 May 2010 on the information obligations and the advertising of insurance products. Available at: [https://www.ivass.it/normativa/nazionale/secondaria-ivass/regolamenti/2010/n35/Regulation\\_n.\\_35\\_of\\_26\\_May\\_2010-en.pdf](https://www.ivass.it/normativa/nazionale/secondaria-ivass/regolamenti/2010/n35/Regulation_n._35_of_26_May_2010-en.pdf)

<sup>260</sup> Decreto of 15 June 2012. Available at: [https://www.ivass.it/normativa/nazionale/secondaria-non-ivass/D.M.15-06-12-importi\\_danno\\_biologico.pdf](https://www.ivass.it/normativa/nazionale/secondaria-non-ivass/D.M.15-06-12-importi_danno_biologico.pdf)

<sup>261</sup> Decreto of 9 August 2013. Available at: <https://www.ivass.it/normativa/nazionale/secondaria-non-ivass/Decreto-interministeriale-n.-110-2013.pdf>

<sup>262</sup> Decreto of 28 April 2008. Available at: [https://www.ivass.it/normativa/nazionale/secondaria-non-ivass/DM\\_N98\\_2008\\_VITTIME\\_STRADA.pdf](https://www.ivass.it/normativa/nazionale/secondaria-non-ivass/DM_N98_2008_VITTIME_STRADA.pdf)

<sup>263</sup> Decreto of 30 January 2009. Available at: [https://www.ivass.it/normativa/nazionale/secondaria-non-ivass/DM\\_19-2009\\_Fondo\\_broker.pdf](https://www.ivass.it/normativa/nazionale/secondaria-non-ivass/DM_19-2009_Fondo_broker.pdf)

<sup>264</sup> Nuovo codice della strada, legislative decree April 30th 1992 n. 285 and later modifications. Available at: [http://www.mit.gov.it/mit/site.php?p=normativa&o=vd&id=1&id\\_cat=&id\\_dett=0](http://www.mit.gov.it/mit/site.php?p=normativa&o=vd&id=1&id_cat=&id_dett=0)

<sup>265</sup> Gazzetta Ufficiale della Repubblica Italiana 19 ottobre 2012 n. 245 - Supplemento Ordinario n. 194. Available at: [http://www.gazzettaufficiale.it/moduli/DL\\_181012\\_179.pdf](http://www.gazzettaufficiale.it/moduli/DL_181012_179.pdf)

Taxation of non-life insurance in Italy generally consists of a premium tax of 21.25%<sup>266</sup>. The amount used to calculate the premium tax is made up of the premium, without deductions, and all additional amounts so as to include all sums paid to the insurer.<sup>267</sup>

Some insurance categories in Italy are subject to a different taxation. Of the categories analysed within the perimeter of this study *motor liability* and *liability for ships* have a different taxation scheme. In these two cases, premium tax is lower (12.5%), but there are two additional contributions: a *contribution for emergency treatment* (10.5% of the premium) and a contribution to the *road accident victims' fund* (2.5% of 96.4% of the premium<sup>268</sup>).

In Italy, the insurer is liable for insurance taxes and contributions. The premium tax and the contribution for emergency treatment are collected monthly by the tax authority (Ufficio delle Entrate) via a banking online payment statement (F24-Accise). The premium **tax for motor vehicle and the road accident victims' fund are paid** to the Provincial Treasury via the same banking online payment statement. The Provincial Treasury will then transfer **the road accident victims' fund to an appointed asset management** company (CONSAP S.p.A.). The company is entirely owned by the Ministry of Economy and Finance.

#### *Overview of premiums*

In 2015, the GWP of the non-life insurance market was 32,007 million EUR. Table 5 of Annex I presents non-life GWP (excluding health) between 2011 and 2014. Table 6 of Annex I shows non-life earned premiums over the 2011-2015 period. Non-Life insurance market GWP and earned premiums have decreased continuously since 2012.

Since 2014, the decline of GWP has slowed down. In 2015, the GWP decreased by 2.4 percentage points. The reduction in GWP is mainly due to a poor performance in the motor sector (-5.3%) (motor vehicle liability and land vehicles), which represents 52.1% of the overall non-life insurance market<sup>269</sup>. The other non-life sectors ("**other sectors**" in Figure 25) have instead inverted the negative trend, increasing premiums by 0.9%<sup>270</sup>.

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<sup>266</sup> Insurance Europe, 2016, Indirect Taxation. Available at:  
<http://www.insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

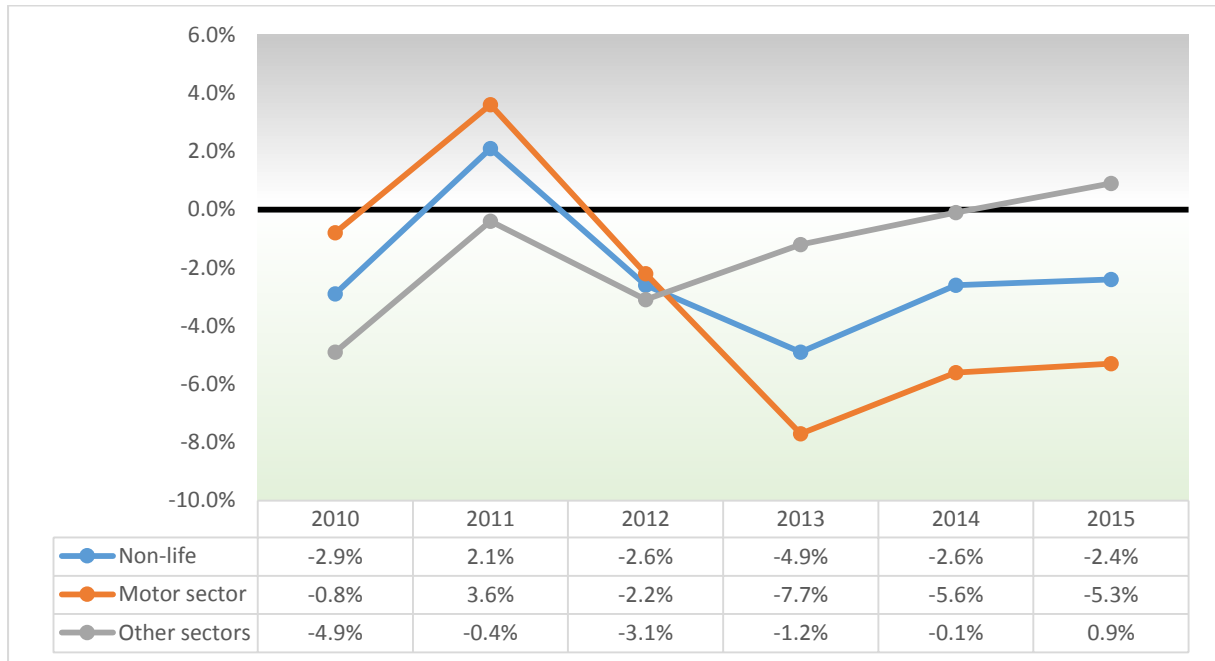
<sup>267</sup> Insurance Europe, 2016, Indirect Taxation. Available at:  
<http://www.insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

<sup>268</sup> For insurances released before 2001 the contribution is 2.5% of the premium. No exemption applies.

<sup>269</sup> IVASS, 2016, *Relazione sull'attività svolta dall'Istituto nell'anno 2015*. Available at:  
[http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>270</sup> IVASS, 2016, *Relazione sull'attività svolta dall'Istituto nell'anno 2015*. Available at:  
[http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

Figure 25 : Italian Non-Life Market GWP trends (year-over-year % change)



Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015<sup>271</sup>.

#### Overview of data on claims

The Italian non-life insurance market saw a constant negative trend in the total claims expenditure between 2011 and 2015. Between 2014 and 2015, the reduction in total expenditure was relatively higher than the reduction in premiums collected. The claims ratio has decreased constantly since 2011 (70.7%), reaching 62.8% in 2015<sup>272</sup>.

Table 67 : Non-Life gross claims expenditure (million EUR) &amp; claims ratio (%) in Italy

	2011	2012	2013	2014	2015
Gross claims expenditure	25,199	23,480	21,323	20,187	19,290
Claims ratio	70.7%	69.1%	66.5%	64.4%	62.8%

Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

According to Insurance Europe<sup>273</sup> and as illustrated in Table 9 of Annex I, the combined ratio (the ratio of the sum of incurred losses and expenses divided by earned premium) for the non-life sector was 106% in 2011, 105% in 2012 and 98% in 2013. In 2011 and 2012 the sector was not profitable as expenses were higher than earned premiums.

No data on the total number of non-life insurance market claims was available. Authorities and stakeholders were not able to provide such data.

<sup>271</sup> Motor sector includes motor vehicle liability and land vehicles insurances; other sectors include all the others non-life insurances.

<sup>272</sup> IVASS, 2016, Dati sui reclami. Available at: [http://www.ivass.it/ivass\\_cms/docs/F27551/dati\\_reclami.pdf](http://www.ivass.it/ivass_cms/docs/F27551/dati_reclami.pdf)

<sup>273</sup> Insurance Europe, 2016, Insurance Europe industry database. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

### 3.1.2. Household insurance

#### *Overview of the selected products*

The Italian property sector insurance market is divided into three product categories<sup>274</sup>:

- Fire and natural forces is the insurance that protects a property from damages caused by fire, explosion, thunderstorm, other natural events, nuclear energy, land subsidence.
- Other damage to property is the insurance that covers all other damages to a property not included in fire and natural forces, such as hailstorm, frost or theft.
- Financial loss is the insurance that covers from financial damages derived by a variety of situations such as: squatting, inability to pay the mortgage, loss of rents, unexpected expenses.

The three product categories considered are separate non-mandatory products and do not cover for any liability.

Under Italian regulation **homeowners' liability** is not mandatory. Liability products for **homeowners are available but fall under the "general civil liability" (Responsabilità Civile Generale)** product category, which also includes other products such as mandatory liability for specific professions (such as doctors and real estate developers)<sup>275</sup>. Given the general nature of the product category, **no specific data are available for homeowners' liability only.**

**Homeowners' liability in Italy does not simply cover the owner or tenant of a specific property, but all the people living in that property (the family).** This type of liability product does not only cover potential damages related to the property (such as water leaking from **the property into the neighbour's flat**), but more in general damages caused by a family member to a third party (not necessarily linked to the property or happening within the property perimeter). This includes many cases, such as damages caused by a family member to a third person while playing sport in a related facility. This type of liability product often also covers damages caused by pets owned by the insured person.<sup>276</sup>

**Homeowners' liability is often sold together with property sector insurance such as "fire and natural forces" and "other damage to property"**<sup>277</sup>.

There are no official data on excess. According to a consumer blog<sup>278</sup>, excess for property insurance is always present and on average is between 100 EUR and 150 EUR.

#### *Overview of the national market*

Property insurance makes up only 17.4% of the overall non-life insurance market<sup>279</sup>.

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<sup>274</sup> IVASS, 2016, **Relazione sull'attività svolta dall'Istituto nell'anno 2015**. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>275</sup> IVASS, 2014, **Le assicurazioni della responsabilità civile generale**. Available at: [http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazioni-RCGenerale\\_web.pdf](http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazioni-RCGenerale_web.pdf)

<sup>276</sup> IVASS, 2014, **Le assicurazioni della responsabilità civile generale**. Available at: [http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazioni-RCGenerale\\_web.pdf](http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazioni-RCGenerale_web.pdf)

<sup>277</sup> IVASS, 2014, **Le assicurazioni della responsabilità civile generale**. Available at:

[http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazioni-RCGenerale\\_web.pdf](http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazioni-RCGenerale_web.pdf)

<sup>278</sup> Guida Consumatore. Available at: [http://www.guidaconsumatore.com/casa/assicurazione\\_casa.html](http://www.guidaconsumatore.com/casa/assicurazione_casa.html)

<sup>279</sup> IVASS, 2016, **Relazione sull'attività svolta dall'Istituto nell'anno 2015**. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

Italy has the lowest property insurance penetration among its peers in Europe<sup>280</sup>. The low penetration may be due to the lack of an insurance culture in Italy, where the state still provides significant benefits in the event of casualty and thereby restricts the perceived need for private property<sup>281</sup>. Insurance culture seems to play a big role in Italy as the tendency to purchase non-mandatory insurance (such as property insurance) is low<sup>282</sup>.

Between 2011 and 2014, density (premiums per insured) in the Italian property sector has decreased slightly from 84 EUR in 2011 to 83 EUR in 2014. Penetration (premiums to GDP) remained constant at 0.3% between 2011 and 2014.

Table 68 : Italian Property Insurance Density (EUR) and Penetration (%)

	2011	2012	2013	2014
Density	84	83	83	83
Penetration	0.3%	0.3%	0.3%	0.3%

Source: Insurance Europe, 2016, European Insurance Industry Database

As better analysed in Section 3.1.5, other damage to property may be sold together with utilities services using an **“all inclusive” formula**.

#### *Overview of premiums*

The Italian property sector insurance market in 2015 accounted for 5,567 million EUR.

In 2015 the sector has been slightly shrinking (-0.3%), inverting the positive trend set in 2014 (3.4%). The reduction in GWP is mainly due to a poor performance in **“Other damage to property” class** (-1.9%), which represents 8.5% of the overall non-life insurance market.

The table below shows the GWP in the sector from 2012 to 2015.

Table 69 : Italian Property insurance – GWP (million EUR)<sup>283</sup>

Insurance class	2012	2013	2014	2015
Fire and natural forces	2,306	2,284	2,295	2,291
Other damage to property	2,611	2,663	2,777	2,725
Financial loss	460	457	513	551
Property sector TOTAL	5,377	5,404	5,585	5,567

Sources: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

No data on earned premiums was available for the property sector. No authorities, nor stakeholders were able to provide such data.

<sup>280</sup> Swiss RE, 2012, The Italian insurance market: opportunities in the land of the Renaissance. Available at: <http://www.argusdelassurance.com/mediatheque/4/5/8/000013854.pdf>

<sup>281</sup> Swiss RE, 2012, The Italian insurance market: opportunities in the land of the Renaissance. Available at: <http://www.argusdelassurance.com/mediatheque/4/5/8/000013854.pdf>

<sup>282</sup> Swiss Re, 2012, New Swiss Re publication provides insights into the future of Italy's insurance market. Available at:

[http://media.swissre.com/documents/News\\_release\\_exp\\_pub\\_italys\\_insurance\\_market\\_Aug\\_12.pdf](http://media.swissre.com/documents/News_release_exp_pub_italys_insurance_market_Aug_12.pdf)

<sup>283</sup> No data available for the year 2011.

*Overview of data on claims*

The Italian household insurance market saw an overall positive trend of the gross claims expenditure between 2011 and 2014. The trend was not constant and its direction changed every year. Expenditure increased greatly between 2011 and 2012. In 2013, the levels of expenditure went back to 2011 levels, to increase again in 2014.

Table 70 : Italian Household Insurance gross claims expenditure, claims paid and ratio of claims expenditure on GWP

	2011	2012	2013	2014
Gross claims expenditure (million EUR)	2,998	4,168	2,928	3,679
Of which claims paid (million EUR)	2,983	3,304	3,600	3,427
Ratio of claims expenditure on GWP (%)	N/A	77.5	54.2	65.9

Note: 1. Based on calculation of claims expenditure divided by GWP for household insurance

Source: Insurance Europe, 2016, Insurance Europe industry database.

The ratio between claims expenditure and GWP for property insurance improved between 2012 and 2013 due to a decrease of claims expenditure. However, this ratio deteriorated in 2014, with a new rise of claims expenditure.

No more data on household claims (e.g. number of claims, combined ratio) was available. No authorities, nor stakeholders were able to provide such data.

### 3.1.3. Motor insurance

#### *Overview of the selected products*

The Italian motor sector insurance market is divided into three classes<sup>284</sup>.

The motor liability is a mandatory liability insurance for all land vehicles with a motor (with the exclusion of those that work on tracks, such as trains and trolley trams) as per Article 193 of the Traffic Code<sup>285</sup>. The insurance covers the owner (or the driver) against the risk of provoking damages to third party by using the vehicle. This kind of insurance is based either on a bonus malus system or on an excess system, or as a mix of the two. **The first system consists in a ranking of profiles called "classes". The lower the Class, the lower the premium.** At the end of each year the owner of the insurance can improve (bonus) or worsen (malus) his/her ranking depending on whether claims were made over that year.

The liability for ships is a liability insurance for all kind of ships, with motor (in this case it is mandatory) or not. The insurance covers damages caused to third party not only when the ship is used but also when the ship is within a port (for example it may cause damages to nearby ships due to bad weather).

<sup>284</sup> IVASS, 2016, *Relazione sull'attività svolta dall'Istituto nell'anno 2015*. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>285</sup> Nuovo codice della strada, legislative decree April 30th 1992 n. 285 and later modifications. Available at: [http://www.mit.gov.it/mit/site.php?p=normativa&o=vd&id=1&id\\_cat=&id\\_dett=0](http://www.mit.gov.it/mit/site.php?p=normativa&o=vd&id=1&id_cat=&id_dett=0)



The land vehicles insurance allows purchasing non-mandatory additional coverage on top of the motor liability. It includes four different sub categories: theft, fire, glass (windows of the vehicle) and vandalism.

Motor liability covers third party liability, while land vehicles insurance covers damages to the owner (or the driver) and the vehicle.

Excess in Italy is called **"franchigia"** or **"scoperto"**. **Franchigia is a normal excess and is expressed in absolute value. The franchigia can be either "absolute" or "relative". Absolute franchigia comes with a lower premium (ceteris paribus) as the owner of such insurance will always be liable for the value of the excess. Relative franchigia comes with a higher excess (ceteris paribus) as the owner of the insurance will be responsible for the damage if the damage is below the value of the excess, while for damages above the excess the owner of the insurance will be fully covered (in the other case the owner is still responsible for the excess). Scoperto is an excess expressed in percentage terms. The absolute value of this excess will depend from the value of the damage. No data on excess averages are available<sup>286</sup>. This may be due to the different options available on the market.**

Motor liability and liability for ships (see section 3.1.1) have a distinctive taxation scheme. In these two cases, premium tax is lower (12.5%), but there are two additional contributions: a contribution for emergency treatment (10.5% of the premium) and a **contribution to the road accident victims' fund (2.5% of 96.4% of the premium)<sup>287</sup>.**

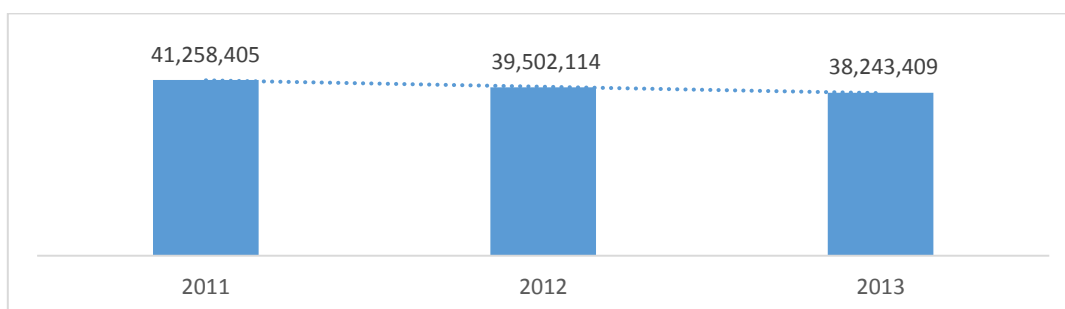
Motor liability insurances in Italy have to guarantee a minimum coverage of 2,500,000 EUR per victim in case of personal injury and minimum coverage of 500.000 EUR in the case of damage to property.<sup>288</sup>

#### *Overview of the national market*

The motor insurance sector makes up 52.1% of the overall non-life insurance market and it is the most common form of insurance in Italy<sup>289</sup>.

Figure 26 shows the total number of insured vehicles in Italy. The number of insured vehicles has been constantly decreasing between 2011 and 2013, from 41 million to 38 million.

Figure 26 : Number of insured vehicles in Italy



Source: Insurance Europe, 2016, European Insurance Industry Database

<sup>286</sup> **Educazione Assicurativa, 2015, L'assicurazione R.C Auto.** Available at: [http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazione-rcauto2015bis\\_web.pdf](http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazione-rcauto2015bis_web.pdf)

<sup>287</sup> Insurance Europe, 2016, Indirect Taxation. Available at: <http://www.insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

<sup>288</sup> EC expert group on European insurance contracts, 2013, Discussion paper: motor insurance. Available at: [http://ec.europa.eu/justice/contract/files/expert\\_groups/discussion\\_paper\\_vii\\_-\\_motor\\_insurance\\_-\\_12-13\\_november\\_meeting\\_en.pdf](http://ec.europa.eu/justice/contract/files/expert_groups/discussion_paper_vii_-_motor_insurance_-_12-13_november_meeting_en.pdf)

<sup>289</sup> IVASS, 2016, **Relazione sull'attività svolta dall'Istituto nell'anno 2015.** Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

Between 2011 and 2014, density (Premiums per insured) in the Italian motor insurance sector has been decreasing constantly from 348 EUR in 2011 to 289 EUR in 2014. Similarly, penetration (Premiums to GDP) went from 1.3% in 2011 to 1.1% in 2014.

Table 71 : Italian Motor Insurance Density (EUR) and Penetration (%)

	2011	2012	2013	2014
Density	348	340	312	289
Penetration	1.3%	1.3%	1.2%	1.1%

Source: Insurance Europe, 2011, European Insurance Industry Database

### Overview of premiums

The Italian motor sector insurance market in 2015 accounted for 16,674 million EUR (52.1% of the overall non-life insurance market).

In 2015 the total motor GWP kept shrinking (-5.3%), following the negative trend set in 2014 (-5.8%). **The reduction in GWP is mainly due to a poor performance in "motor liability" class (-6.5%),** which represents 46.3% of the overall non-life insurance market.

The table below shows the GWP in the sector from 2012 to 2015. The sector has declined by roughly 20% since 2012.

Table 72 : Italian Non-Life GWP (million EUR) – Motor sector<sup>290</sup>

Insurance class	2012	2013	2014	2015
Motor liability	17,542	16,230	15,180	14,187
Liability for ships	34.1	32.4	31.6	31.5
Land vehicles	2,649	2,413	2,387	2,455
Motor sector TOTAL	20,225	18,676	17,598	16,674

Sources: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

The earned premiums for the sector followed a similar trend of the GWP, shrinking by 18.4% over the 2012-2015 period.

Table 73 : Italian Non-Life Earned Premiums (million EUR) – Motor sector<sup>291</sup>

Insurance class	2012	2013	2014	2015
Motor sector	17,697	16,835	15,559	14,450

Sources: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

<sup>290</sup> No data available for the year 2011.

<sup>291</sup> No data available for the year 2011.

*Overview of data on claims*

The table below shows the total number of claims notified in the Italian motor sector between 2011 and 2013. The number has been decreasing constantly over time, from 4.5 million in 2011 to 3.5 million in 2013.

Table 74 : Italian Motor Insurance Sector – total number of claims notified

	2011	2012	2013
Total number of claims notified	4,509,057	3,656,490	3,504,317

Source: Insurance Europe, 2016, European Insurance Industry Database.

Table 75 shows a decreasing pattern in the claims expenses for the motor insurance market since 2011. The claims ratio has decreased constantly between 2011 and 2013: it was 84.5% in 2011 and 68.7% in 2013. From 2014 the claims ratio in the motor sector started to increase, reaching 72.1% in 2015.

Table 75 : Italian Motor Insurance Sector –claims expenditure (million EUR), claims ratio (%) and claims frequency (%)

	2011	2012	2013	2014	2015
Total claims expenditure	14,791	13,110	11,563	10,818	10,421
Claims Ratio	84.5%	74.1%	68.7%	69.6%	72.1%
Claims frequency	7.4%	6.4%	6.2%	6%	6.2%

Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

With regard to the claims frequency, in the period 2011-2015, a decrease has been witnessed for the entire motor sector equal to 16.2%, from 7.4% to 6.2%. No data were found on the combined ratio for the motor sector.

## 3.1.4. Car rental insurance

*Overview of the selected products*

According to the Italian Broker Association (AIBA), the car rental companies insure their **vehicles using "auto-flotta" insurance, a sub-category** within the motor sector used to insure a pool of vehicles under one insurance. This kind of insurance is used also, for example, by big companies to insure their company cars and by car sharing companies. It is therefore not possible to isolate specific data for the car rental industry.

In Italy, every car is rented with fire insurance and some mandatory insurance covers:

- TPI (third party insurance): covers the drivers towards third party liability up to 1,800,000 EUR in case of damage or injury to people or property outside of the rental car<sup>292</sup>.
- CDW (collision damage waiver): the mandatory basic CDW covers the car from collision damages, nevertheless damage to tires, windshields or undercarriages due

<sup>292</sup> AutoEurope, Driving in Italy: Car Rental Information & Tips. Available at: <http://www.autoeurope.com/go/driving-information/italy/>

to vandalism or misuse are not mandatory and, if not included they might be sold as add-on. CDW reduces the excess to around 100 – 1000 EUR<sup>293</sup>.

- TW (Theft Waiver): Protects the vehicle in case of theft. TW reduces the excess to around 300 – 1000 EUR<sup>294</sup>.

Available additional coverage usually includes:

- DER (damage excess refund): reduces (totally or partially) the excess.
- Personal insurance: covers the driver in case of injury.

#### *Overview of the national market*

To rent a car in Italy, renters must be at least 21 years old (rental car age requirements may vary by car category) and have held a license for 1 year. Drivers under the age of 25 may incur a young driver surcharge.

#### *Overview of premiums*

No data on premiums specifically on car rental insurance in Italy were available.

#### *Overview of data on claims*

There are no official data on claims specifically addressing car rental insurance in Italy.

### 3.1.5. Insurance products sold as an add-on to other primary products in Italy

#### *Overview of the selected products*

The products examined consist in "packages" offered to customers under commercial agreements between insurance undertakings and various economic operators, such as public utility companies and firms selling consumer goods, which provide customers with a principal good or service along with supplementary insurance guarantees.

In the travel sector, add-on insurance generally covers risks related to sickness, transport, financial loss and assistance insurance. The insurance covers are included in travel packages by means of collective policies, underwritten in the "concluded on its behalf" form, where the Tour operators/Travel agencies act as policyholders. In the travel sector, **add-on insurance is usually tied to "all inclusive" travel packages. The insurance premium is generally indicated in absolute amount. More rarely, add-on travel insurance is not tied to "all inclusive" travel packages but it is separated from the travel product and can be linked to it at the discretion of the consumer**<sup>295</sup>.

In the public utilities sector, consumers can purchase insurance products connected with the supply of electricity and gas or water. The products connected with the supply of gas and power can be referred to as assistance and other damage to property insurance, and show common features (all inclusive, automatic subscription, duration related to that of the principal service and automatic withdrawal when the principal guarantee no longer exists).<sup>296</sup>

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<sup>293</sup> AutoEurope, Driving in Italy: Car Rental Information & Tips. Available at: <http://www.autoeurope.com/go/driving-information/italy/>

<sup>294</sup> AutoEurope, Driving in Italy: Car Rental Information & Tips. Available at: <http://www.autoeurope.com/go/driving-information/italy/>

<sup>295</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>296</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

Regarding extended warranties, in Italy products come with a retailer's warranty mandatory by law which lasts for two years (garanzia legale). As of 2005 the consumer warranty shifted from manufacturers to retailers. The warranty covers the non-conformity of the product, meaning not only mechanical or electrical breakdown, but also more in general cases where the product does not deliver what it was promised to at the time of the purchase.

Manufacturers and retailers can also offer a "conventional guarantee" (garanzie convenzionali) which can be sold separately or be offered for free. The conventional guarantee is not necessarily only an extended guarantee as it can be offered during the first two years as far as it is specified to the consumer that the additional guarantee covers different and additional services beyond the legal guarantee.<sup>297</sup> Conventional guarantee products can offer extra coverage for aspects such as accidental damage, fire and thief.

#### *Overview of the national market*

There is limited data regarding insurance products sold as an add-on to other primary products.

Between 2014 and 2015, the national supervisory authority carried out an investigation into insurance products sold as an add-on to products and services, to gather information on the main features of the products and the degree of transparency in their placement with the public.<sup>298</sup>

The IVASS investigation considered 178 undertakings (all the 136 Italian ones and a sample of foreign undertakings). Overall, 63 undertakings offer insurance products linked to non-insurance products and services. 38% of Italian companies market such products.

A total of 1,629<sup>299</sup> add-on products were found during the investigation, all related to non-life insurance, except for 9 related to life insurance<sup>300</sup>.

The table below summarises the products by sector including the number of insured persons.

Table 76 : Add-on products by sector in Italy (2015)

Type of ancillary sellers in the insurance undertaking	Reference sector	Number of products sold	Number of insured people
Tour Operators and Travel Agency	Travel	299	2,338,000
Car Dealers	Vehicles	261	661,000
Banking Institutions	Banks	256	9,176,000
Federation/Sporting Associations	Sports	136	1,800,000
Water Suppliers	Public Utilities	8	679,000

<sup>297</sup> AGCM, 2011, Garanzia legale sui beni di consumo: ecco i diritti dei consumatori. Available at: <http://www.agcm.it/consumatore/decalogo/5102-garanzia-del-venditore-guida-per-il-consumatore.html>

<sup>298</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>299</sup> In many cases the same product is distributed by various business partners, resulting in a duplication.

<sup>300</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

## Country fiches

Type of ancillary sellers in the insurance undertaking	Reference sector	Number of products sold	Number of insured people
Gas Suppliers	Public Utilities	6	100,000
Electricity Suppliers	Public Utilities	8	179,000
Mobile Telecommunications	Mobile Phones	11	182,000
Maritime Transport Companies	Transport	10	66,000
Air Transport Companies	Transport	8	93,000
Others	Various	626	n.a.
TOTAL		1,629	15,274,000

Source: IVASS, 2014, You are insured and perhaps you have not realized it. Table 76 shows that there are more than 15 million people insured by add on products.

According to IVASS, the difference in the number of people insured by sector might be linked to the time that the product has been on the market. Products associated to the banking sector have been on the market for longer, while products in the public utilities sector are more recent (most of them from 2013, some products associated to water supply are supplied since 2006 and 2008) in Italy.

### *Overview of premiums*

No data on premiums specifically on add-on insurance or specifically on travel insurance, extended warranty or home assistance were available in Italy.

### *Overview of data on claims*

No data on claims specifically on add-on insurance in Italy were available.

## 3.1.6. Sales practices and distribution channels

### *Practices of non-life insurers in Italy*

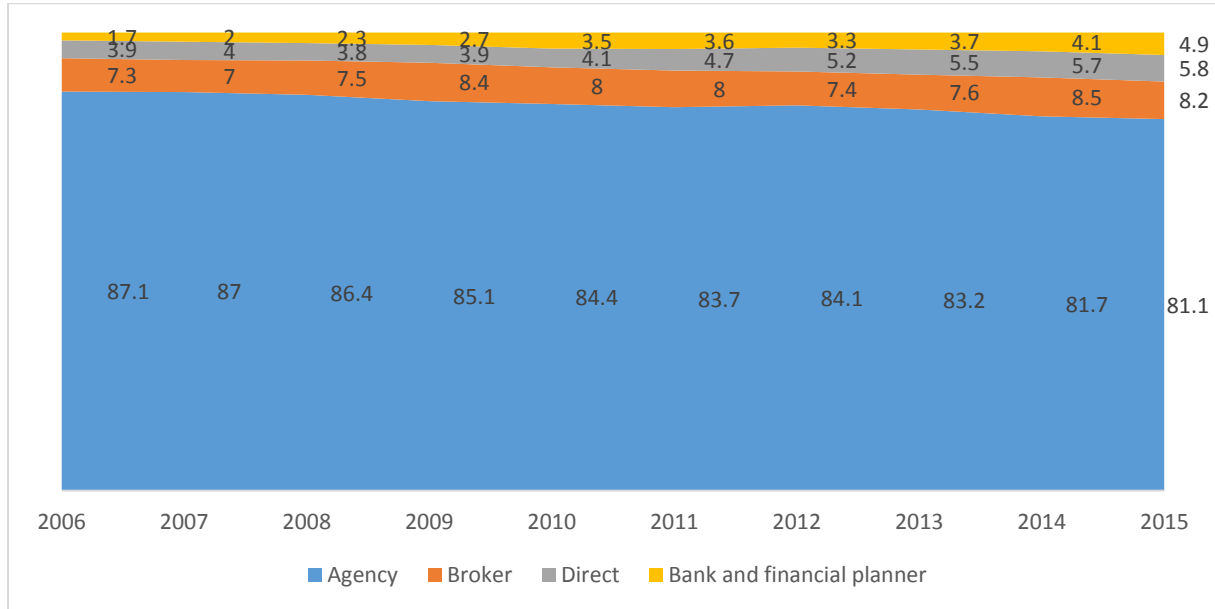
Regarding the distribution channels, in Italy there are four main channels: one is direct sales and the other three all involve intermediaries (agent, broker and bank/ financial planner). Financial planners are professionals who prepare financial plans for clients. The financial plans involve pension, monetary, stock as well as insurance planning. Agents still make up most of the distribution market share (>80%), especially in the retail sector. In this respect, Italy tends to be quite traditional, even if banks and direct selling have increased over the last few years.<sup>301</sup>

Agents in Italy are independent entrepreneurs and can work for one or more companies. The broker acts as an intermediate for her/his clients, while banks and Post offices distribute products using their own distribution channels. The direct channel allows insurances to directly sell their products (online, via phone, etc.).

<sup>301</sup> IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

Figure 27 shows the times series of the composition of the non-life insurers by distribution channel. In 2015, the portion of premium income earned via the agency channel disclosed a drop of 0.6 percentage point, falling from 81.7% to 81.1%, while the sale of policies via brokers and via the banking channel came to 8.2% and 4.9% of the total respectively.

Figure 27 : Italian Non-Life Market - distribution channels (%)



Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

Between 2011 and 2015, a progressive and slow growth of direct sales channels can be observed. Together with bank branches and financial planners, these channels are slowly eroding the share of the traditionally strong agency channel.

According to ANIA, an Italian trade association, a main change in the bank/financial planner distribution channel has been the entry of Poste (the national mail) in 2006 as a financial planner in the insurance market. Poste so far has marketed mainly life-insurance products (and some property ones), but for ANIA, there are rumours that they might enter the motor sector soon. Their importance is facilitated by their extremely wide distribution network.

According to AIBA, there are two different sets of regulations for sellers of insurance services depending on the distribution channel used: in case of direct distribution, the regulation is focused more on transparency and fairness. In case of products distributed by intermediaries (agents, brokers, banks etc.), the regulation is more stringent and includes also consumer wealth protection. The regulations are included in different provisions derived from the Insurance Code and from different IVASS regulations. IVASS provides an online detailed list of all the rules for both insurance companies and intermediaries. The lists are available both in Italian and English.<sup>302</sup>

### *Practices of household insurers in Italy*

Household's liability insurance is often sold together with (or as an addition to) other insurance products such as:

<sup>302</sup> IVASS, Normativa Primaria di riferimento. Available at: [http://www.ivass.it/ivass/imprese\\_jsp/PageDocumentiNormativaRiferimento.jsp?nomeSezione=NORMATIVA&ObjId=](http://www.ivass.it/ivass/imprese_jsp/PageDocumentiNormativaRiferimento.jsp?nomeSezione=NORMATIVA&ObjId=)

- Property sector insurances such as “fire and natural forces” and “other damage to property”<sup>303</sup>;
- Insurance covering potential damages caused by a member of the insured family.

Homeowners’ liability insurance can be sold directly by insurance companies or distributed by registered (RUI) intermediaries such as agents, brokers, banks and financial planners.

Any excess added to the insurance contract has to be clearly stated in the product information. Excesses can be added to products in exchange for a lower premium price.

*Practices of motor insurers in Italy*

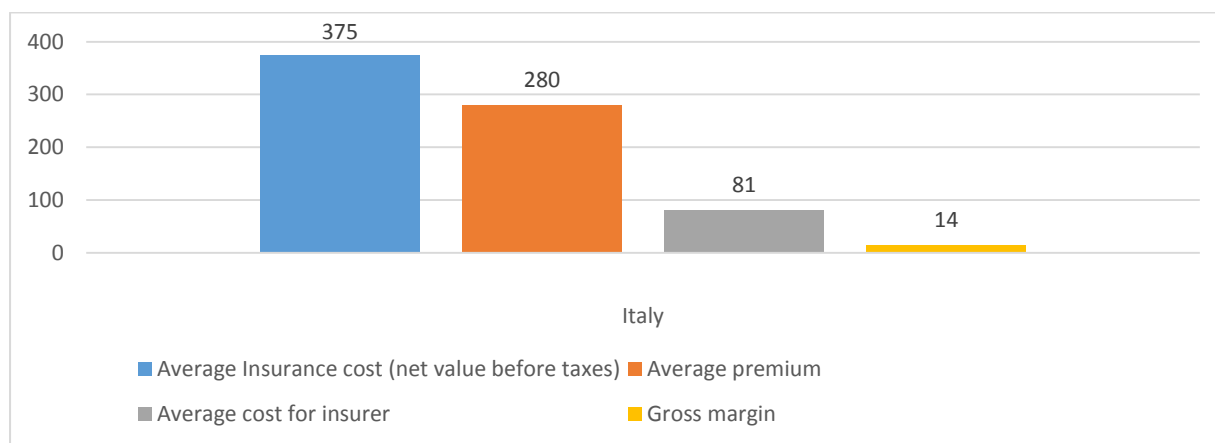
In the motor sector, the agency’s share of the distribution channel in 2015 was 86.5%. The value is even higher than the average for “all the sectors” and has been stable compared to the previous year<sup>304</sup>.

The average premiums of the motor liability sector are higher in Italy than in other large European markets<sup>305</sup>. According to a comparative analysis carried out by Boston Consulting Group (BCG) on behalf of the insurance industry association (ANIA)<sup>306</sup>, the factors for such a difference are:

- Greater traffic congestion;
- Greater undetected frauds;
- Poorer road safety and a larger number of motorcycles and scooters have a direct impact on claims frequency and on the rate of serious injuries, which are both higher.

The following figure summarises the average Italian motor insurance components.

Figure 28: Motor liability average insurance and components in Italy (2014)



Source: IVASS, 2016, Relazione sull’attività svolta dall’Istituto nell’anno 2015

Italy also presents a high level of regional differences in terms of motor insurance premiums. Traditionally southern regions tend to have higher premiums due to higher

<sup>303</sup> IVASS, 2016, Relazione sull’attività svolta dall’Istituto nell’anno 2015. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>304</sup> IVASS, 2016, Relazione sull’attività svolta dall’Istituto nell’anno 2015. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

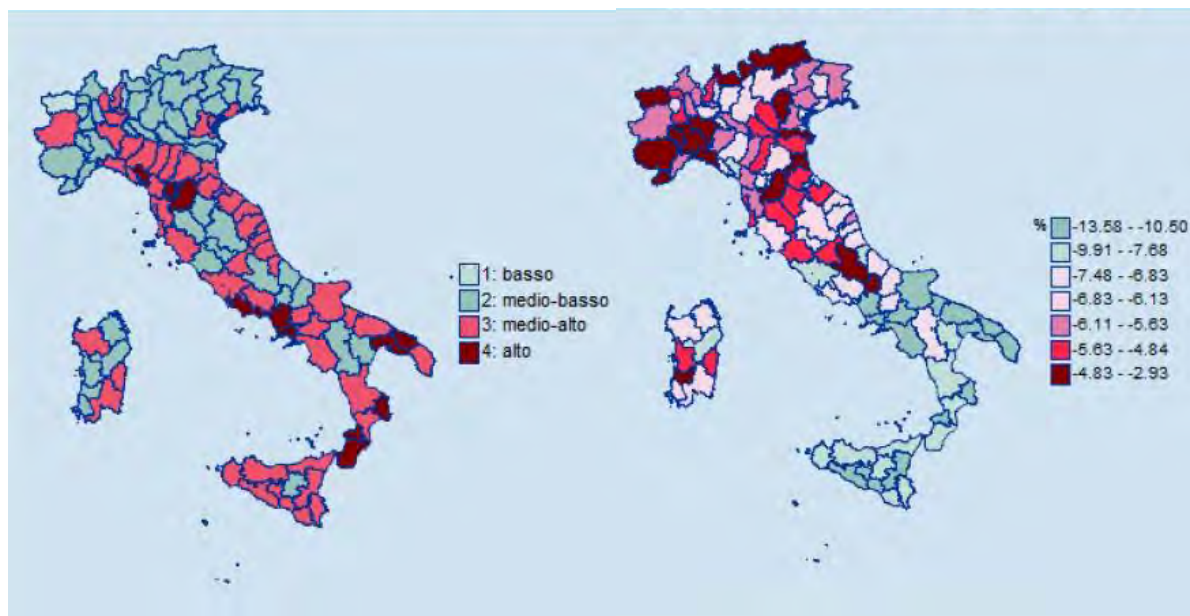
<sup>305</sup> IVASS, 2016, Relazione sull’attività svolta dall’Istituto nell’anno 2015. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>306</sup> Insurance Europe, 2015, European Motor Insurance Markets. Available at: <http://www.insuranceurope.eu/sites/default/files/attachments/European%20motor%20insurance%20markets.pdf>



claims costs.<sup>307</sup> Between 2014 and 2015 southern regions have been partially converging due to higher reductions in premiums. The higher reduction is partially due to the wide adoption of “black box” technologies in southern regions<sup>308</sup>.

Figure 29: Costs of motor insurance premium (left) and costs variance between 2014 and 2015 in Italy (right)



Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

Motor insurance premiums are on average higher for young drivers and elderly. No specific data are available on the magnitude of these differences.

#### *Practices of car rental insurers in Italy*

According to the interviewee from Altroconsumo (consumer association), sales of car rental insurance occur mostly with the car renting company as intermediary, either face to face or online when booking the reservation.

To rent a car in Italy, renters must be at least 21 years old (rental car age requirements may vary by car category) and have held a license for 1 year. Drivers under the age of 25 may incur a young driver surcharge.

#### *Practices of insurers selling insurance products as an add-on to other primary products in Italy*

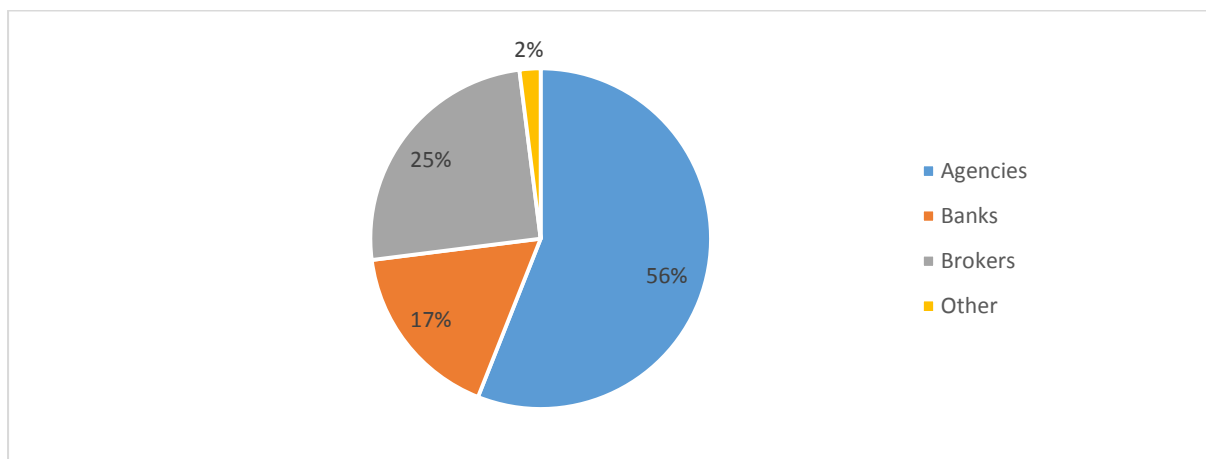
An investigation by the supervisory authority in 2014 recorded the distribution channel of insurance products sold as an add-on to other primary products. The result is presented in the graph below. The graph shows that agencies are the prevailing channel, followed by brokers and banks<sup>309</sup>.

<sup>307</sup> IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>308</sup> IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>309</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

Figure 30 : Italian add-on products – distribution channels (2014)



Source: IVASS, 2014, You are insured and perhaps you have not realised it.

### 3.1.7. Key features of cross-border transactions

#### *Key features of cross-border transactions of non-life insurance products*

96 companies based in other Member States operate in Italy under Freedom of establishment (FOE). Of those, 60 operate exclusively in the non-life market and 14 in both (life & non-life)<sup>310</sup>. These are foreign firms selling insurance products to Italian customers, from their establishment in Italy.

1,007 companies are authorised to operate in Italy under Freedom to provide services (FPS). Of those, 764 operate exclusively in the non-life market and 56 in both (life & non-life)<sup>311</sup>. These are foreign firms selling insurance products to Italian customers, from their establishment in another Member State.

From 2006 to 2015, companies operating under Freedom of establishment grew by 43% (29 units), while companies operating under Freedom to provide services grew by 23% (188 units) over the same period.<sup>312</sup>

The 764 non-life companies operating under FPS are based in the subsequent countries: 14.1% are based in the UK, 9.9% in Germany, 9.7% in Ireland, 6.9% in France and 4.2% in the Netherlands. The remaining 55.2% is distributed among the other EU and EEA countries.

The 56 multi-sector (life and non-life) companies operating under FPS are distributed accordingly: 33.9% are based in Austria, 10.7% in France, 7.1% in Belgium, 7.1% in the UK, 5.4% in Spain, 5.4% in Czech Republic. The remaining 30.4% is distributed among the other EU and EEA countries.<sup>313</sup>

#### *Cross-border sales*

Table 77 contains the premiums collected in Italy by non-life insurance companies based in another EU and EEA country, under Freedom to provide services, during the period

<sup>310</sup> IVASS, 2014, You are insured and perhaps you have not realised it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>311</sup> IVASS, 2014, You are insured and perhaps you have not realised it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>312</sup> IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>313</sup> IVASS, 2014, You are insured and perhaps you have not realised it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

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2012-2014. Highest figures are reported for the UK, which has been the main contributor to the 2013-2014 increase.

Table 77 : GWP acquired in Italy by EU and EEA companies in the non-life market under Freedom to provide services (million EUR)<sup>314</sup>

Country	2012	2013	2014
Austria	55	53	76
Belgium	5	8	18
Bulgaria	0	0	0
Cyprus	0	0	0
Croatia	(a) <sup>315</sup>	(a) <sup>316</sup>	0
Denmark	1	0	7
Estonia	0	0	0
Finland	0	1	0
France	80	94	182
Germany	29	27	26
Greece	0	0	0
Ireland	180	232	224
Italy	0	0	0
Latvia	4	0	2
Lithuania	0	0	0
Luxemburg	13	18	27
Malta	28	32	31
Netherlands	9	46	18
Poland	0	0	0
Portugal	35	0	0
United Kingdom	436	655	1,788
Czech Republic	0	0	0
Slovakia	0	0	0
Romania	56	52	34
Slovenia	0	0	0
Spain	33	21	40
Sweden	10	10	10
Hungary	3	1	0
EU Total	976	1,250	2,484
Liechtenstein	3	8	12

<sup>314</sup> Data only available for 2012, 2013, 2014.

<sup>315</sup> Data for Croatia not available since it was not a EU Member State until 2014.

<sup>316</sup> Data for Croatia not available since it was not a EU Member State until 2014.

## Country fiches

Country	2012	2013	2014
Island	0	0	0
Norway	24	25	22
EEA total	1,004	1,282	2,517

Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

### *Main factors limiting cross-border insurance purchases*

Even if the GWP acquired in Italy by EU and EEA companies in the non-life market under Freedom to provide services is rapidly increasing, the increase is concentrated into few specific countries, mainly the UK. According to AIBA, some aspects of the Italian insurance market still have to develop in order to increase the appeal of the market. The distribution is still very much based on traditional forms of intermediation. For AIBA, frauds and scams are still relatively high. Regulation is detailed and complex, making regulatory compliance difficult.

According to an **S&P's report**<sup>317</sup>, barriers to access the Italian insurance market are low under a legal, regulatory point of view. Operational barriers are high due to the structure of the market, which, as shown in section 3.1.1, is quite concentrated with a distribution mostly tied to agents. Nevertheless, according to the report, the overall openness outlook is positive.

### *Interventions to increase cross-border demand*

No specific interventions aiming at increasing the cross-border demand of insurance products were identified. Stakeholders are not aware of any specific public or private intervention aimed at increasing cross-border demand.

## 3.2. Consumer decision-making in the non-life insurance market- evidence from Italy

### 3.2.1. Consumer understanding

According to Altroconsumo (an Italian consumer association), consumer understanding of the products is often limited.

Insurance products are considered difficult for consumers as they tend to have many clauses and exclusions, and can sometimes be very complex products according to Altroconsumo. For example, household insurance tends to have many guarantees within the same contract (fire, theft, civil liability, etc). Moreover, the insurance language is often perceived as complicated, and no examples are included to explain better the terms of insurance.<sup>318</sup>

According to Altroconsumo, a wrong or limited understanding of terms of insurance is generally the primary complaint received from consumers.

<sup>317</sup> Standard & Poor's, 2015, Italy's Property/Casualty Sector Carries A Moderate Insurance Industry And Country Risk Assessment. Available at: <http://www.ania.it/export/sites/default/it/pubblicazioni/monografie-e-interventi/Standard-Poors-Review-2015-del-settore-assicurativo-Italiano-Rami-Danni-e-Vita.pdf>

<sup>318</sup> Interview with Altroconsumo.

### 3.2.2. Type of problems

The main problem related to consumer decision-making in non-life insurance is the access to information and the financial literacy needed to read and understand the information<sup>319</sup>.

**Consumers' limited understanding of the coverage** has an impact when comparing different insurances products with different covers objectively<sup>320</sup>.

In 2014, the national supervisory authority conducted an investigation to verify the level of transparency and fairness in the products sold as an add-on to other primary products in Italy<sup>321</sup>. The survey highlighted the significant size of the business of insurance policies linked to various products and services and the extremely high number of consumers involved. The report finds that add-on insurances seem to be motivated not only by consumers' needs but also by commercial considerations, business purposes and also the need to cover the risks of the producers or suppliers of the principal goods or services.

The survey reported problems related to the awareness of the insurance covers when activating a claim, and to the clear indication of costs.

### 3.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

Consumers in Italy can file formal complaints to both companies and the national insurance supervisory authority (IVASS). The website of the national authority offers the complete list of complaints offices for all the national and international insurance companies operating in Italy<sup>322</sup>. Consumers should address the insurance companies in case of complaints related to the insurance service. When insurance companies fail to provide a service, complaints should be addressed to IVASS. Consumer organizations help consumers addressing the appropriate organization. In Italy, there is no national ombudsman specialised in insurance<sup>323</sup>.

From 2015, following the new regulation (regulation ISVAP n24<sup>324</sup>), companies are obliged to forward to authorities and publish on their websites an overview of the consumer complaints, stating the total number, the type and the successful ratio of complaints received<sup>325</sup>.

In 2015, insurance companies<sup>326</sup> received 106,908 complaints (+14.1% compared to 2014) by consumers. Of those, 77% (82,045) were related to the non-life sector and 23% to the life sector (compared to 78% and 23% respectively in 2014)<sup>327</sup>.

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<sup>319</sup> Interview with IVASS.

<sup>320</sup> IVASS, 2014, Investigation into comparison websites in the Italian insurance market. Available at: [http://www.ivass.it/ivass\\_cms/docs/F4449/INVESTIGATION\\_INTO\\_COMPARISON\\_WEBSITES\\_IN\\_THE\\_ITALIAN\\_INSURANCE\\_MARKET.pdf](http://www.ivass.it/ivass_cms/docs/F4449/INVESTIGATION_INTO_COMPARISON_WEBSITES_IN_THE_ITALIAN_INSURANCE_MARKET.pdf)

<sup>321</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>322</sup> IVASS, Contact centre for consumers. Available at: [http://www.ivass.it/ivass/impresse\\_jsp/HomePageSezione.jsp?nomeSezione=PER\\_IL\\_CONSUMATORE&ObjId=90231&titolo=PER\\_IL\\_CONSUMATORE](http://www.ivass.it/ivass/impresse_jsp/HomePageSezione.jsp?nomeSezione=PER_IL_CONSUMATORE&ObjId=90231&titolo=PER_IL_CONSUMATORE)

<sup>323</sup> FIN-NET members: [http://ec.europa.eu/finance/fin-net/members\\_en.htm](http://ec.europa.eu/finance/fin-net/members_en.htm)

<sup>324</sup> ISVAP, Regulation N. 24 of 19 May 2008. Available at: <https://ec.europa.eu/eusurvey/files/f58ccb3b-4d2a-4df5-a94a-cfc1f350a5b9>

<sup>325</sup> IVASS, 2016, Dati sui reclami. Available at: [http://www.ivass.it/ivass\\_cms/docs/F27551/dati\\_reclami.pdf](http://www.ivass.it/ivass_cms/docs/F27551/dati_reclami.pdf)

<sup>326</sup> National companies only, from 2016 IVASS will be able to publish data also on other EU companies operating in Italy.

<sup>327</sup> IVASS, 2016, Dati sui reclami. Available at: [http://www.ivass.it/ivass\\_cms/docs/F27551/dati\\_reclami.pdf](http://www.ivass.it/ivass_cms/docs/F27551/dati_reclami.pdf)

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The claims referred mainly to delayed payments of the insured amounts, or to the insurance company not delivering adequately its service to the consumer<sup>328</sup>.

On average for every million insurance policies, companies have received 1.61 complaints<sup>329</sup>.

The success complaints ratio in 2015 was 42% of the total complaints while 53% of complaints were rejected and 5% were still under investigation at the end of 2015. The ratio of the success of complaints increased by 6 percentage points compared to 2014<sup>330</sup>.

The average investigation time was of 21 days, slightly less than in 2014 (23 days in 2014), and well below the regulatory limit of 45 days<sup>331</sup>.

If the company fails to reply within 45 days or if the reply is unsatisfactory, it is possible to file a complaint to the national insurance supervisory authority<sup>332</sup> through a specific template available online<sup>333</sup>.

Complaints can be sent to IVASS by:

- e-mail to the certified electronic mail (CEM) address.
- Fax.
- ordinary mail.

In 2015, the national insurance supervisory authority received 22,644 complaints (11.7% less than in 2014) from consumers. Of those 87.1% (19,712) were related to the non-life sector<sup>334</sup>. More than half of the complaints received in 2015 (15,576) were addressed during the same year with the subsequent results presented in the table below.

Table 78 : Outcome of complaints to IVASS – life & non-life (2015)

Result	Number	% Composition
Outcome completely in favour of the consumers	5,791	37.1%
Outcome partially in favour of the consumers	3,189	20.5%
Not solved	4,552	29.3%
Forwarded to insurance companies for direct negotiation	2,044	13.1%
Total	15,576	100%

Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

Of the 19,712 complaints received by the supervisory authority related to non-life insurance, with a great majority (13,329) concerning motor liability insurance. The remaining 6,473 complaints (-1.4% compared to 2014) consisted in all the other non-

<sup>328</sup> IVASS, 2016, Dati sui reclami. Available at: [http://www.ivass.it/ivass\\_cms/docs/F27551/dati\\_reclami.pdf](http://www.ivass.it/ivass_cms/docs/F27551/dati_reclami.pdf)

<sup>329</sup> IVASS, 2016, Dati sui reclami. Available at: [http://www.ivass.it/ivass\\_cms/docs/F27551/dati\\_reclami.pdf](http://www.ivass.it/ivass_cms/docs/F27551/dati_reclami.pdf)

<sup>330</sup> IVASS, 2016, Dati sui reclami. Available at: [http://www.ivass.it/ivass\\_cms/docs/F27551/dati\\_reclami.pdf](http://www.ivass.it/ivass_cms/docs/F27551/dati_reclami.pdf)

<sup>331</sup> IVASS, 2016, Dati sui reclami. Available at: [http://www.ivass.it/ivass\\_cms/docs/F27551/dati\\_reclami.pdf](http://www.ivass.it/ivass_cms/docs/F27551/dati_reclami.pdf)

<sup>332</sup> IVASS: Filing a complaint, available at: [http://www.ivass.it/ivass\\_cms/docs/F25643/guida\\_reclami\\_english.pdf](http://www.ivass.it/ivass_cms/docs/F25643/guida_reclami_english.pdf)

<sup>333</sup> IVASS: Facsimile di reclamo all'IVASS. Available at: [http://www.ivass.it/ivass\\_cms/docs/F2180/Allegato2\\_Guida%20ai%20reclami.pdf](http://www.ivass.it/ivass_cms/docs/F2180/Allegato2_Guida%20ai%20reclami.pdf)

<sup>334</sup> IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

life insurance complaints. Most of the complaints relate to claims (68.7%), mainly about the delay in the definition of the damage (46.8%). Complaints about the contract accounted for 30.6% of the overall complaints. The table below reports the number of complaints by type for the other non-life insurance categories (excluding motor liability).

Table 79 : Other non-life insurance complaints to IVASS: distribution by area/type

Type	Number	% Composition
Complaints about claims	4,447	68.7%
Delay in definition of the damage	3,032	46.8%
Disputes on "an" and "quantum"	1,240	19.2%
Other	175	2.7%
Complaints about the contract	1,980	30.6%
Termination of insurance policy	903	14%
Repudiation of policy	633	9.8%
Failure to refund premiums	154	2.4%
Other	290	4.5%
Commercial Area	46	0.7%
Total	6,473	100%

Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015

#### *Overview of consumer complaints for household insurance*

The national supervisory authority only diffuses non-life insurance aggregated data on complaints and data on the motor sector, which is the main sub-category in Italy. No data could be found for specific complaints related to household insurance.

According to the European Commission 2016 Consumer Market Scoreboard<sup>335</sup> and as illustrated in Table 10 of Annex I, 4.7% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 5.5 on a 0-10 range. 77.9% of the respondents having experienced at least one problem complained, including 68.1% to their retailer/provider and 5.8% to third-party complaint bodies. Thus, the share of Italian consumers having experienced problems and their level of detriment are below the EU 28 average. The share of respondents who complained after experiencing a problem is close to the EU 28 average but the Italian consumers complained more to retailers/producers and less to a third party complain body compared to the EU 28 average.

#### *Overview of consumer complaints for motor insurance*

Of the total complaints received in 2015 by insurance companies, 52,150 complaints (64% of the total non-life insurance complaints - 82,045) were related to motor insurance (+14.5% compared to 2014).

On average for every million insurance policies, companies have received 3.41 complaints in the motor sector, as opposed to the 1.61 average complaints of the non-life industry.

Motor insurance is the sector with the highest incidence of complaints (48.8% of the total).

Of the total complaints received by the supervisory authority in 2015, 13,329 concern motor liability insurance, accounting for 58% of the total, revealing a decrease with

<sup>335</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>



respect to 2014 (-6%). The majority of the complaints continue to concern delays and inefficiencies in the claims area (79.1%), with a higher incidence compared to the previous year (76.7%).

Table 80 : Motor liability insurance complaints to IVASS: distribution by area/type (2015)

Type	Number	% Composition
Complaints about claims	10,468	79.1%
Direct Compensation	4,991	37.7%
Ordinary compensation	2,397	18.1%
<b>Request for access to the undertaking's documents</b>	920	6.9%
other	2,160	16.3%
Complaints about the contract	2,735	20.7%
Assignment of class (Bonus/Malus)	911	6.9%
Failure to issue certificates of claims experience	603	4.6%
Termination of insurance policy	135	1%
Repudiation of policy	775	5.9%
Other	311	2.3%
Commercial Area	36	0.3%
Total	13,239	100%

Source: IVASS, 2016, Relazione **sull'attività svolta dall'Istituto nell'anno 2015**.

Complaints relating to claims handled by the designated undertakings and compensated by the national guarantee fund for road-accident victims decreased from 508 in 2014 to 434 in 2015 and represent 3.2% of total complaints.

During 2015, initiatives and interventions continued with regard to undertakings concerning very serious motor liability claims, with fatal outcomes or serious bodily injuries, regarding which the investigation highlighted shortcomings or inconsistencies in the settlement process used by the undertakings. Due to IVASS's targeted interventions, the undertakings agreed to reconsider the aforementioned claims and to supplement compensation to the injured parties or other eligible parties. There has been a reduction in consumer complaints on missing/late delivery of certificates of claims experience, or the delivery of wrong certificates (from 952 to 603, from 5.8% to 4.5% of the total motor liability). A partial explanation for the reduction is the new norm on electronic certificates of claims experience.<sup>336</sup>

According to the European Commission 2016 Consumer Market Scoreboard<sup>337</sup> and as illustrated in Table 10 of Annex I, 5.5% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 7.3 on a 0-10 range. 94.1% of the respondents having experienced at least one problem complained, including 75.4% to their retailer/provider and 12.8% to third-party complaint bodies. Thus, the share of Italian consumers having experienced problems and their level of detriment are above the EU 28 average. The share of respondents who complained after experiencing a problem is also above the EU 28 average, in particular the share of respondents who complained to retailers/producers.

<sup>336</sup> IVASS, 2016, Relazione **sull'attività svolta dall'Istituto nell'anno 2015**. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

<sup>337</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>



*Overview of consumer complaints for car rental insurance*

According to the consumer association Unione Nazionale Consumatori<sup>338</sup> (UNC), out of 1,000 complaints received in the summer 2016 (1 Jul – 15 Sep) regarding the tourism industry, 9% were related to car rental. The numbers have declined compared to 2015 when it accounted for 14%<sup>339</sup>.

According to UNC, when renting a car abroad, some consumers complained about the fact that the information was written in the national language, which they could not understand.

*Overview of consumer complaints for add-on insurance*

During an interview, the consumer association ALTROCONSUMO, complained about some aspects related to consumer protection and insurance products sold as add-on (in particular for extended warranty for furniture, travel insurance, home assistance). Specifically, the association complained about the lack of:

- clarity related to arrangements for entering and terminating the contract;
- awareness of the insurance covers so that they can be activated in case of adverse events;
- clear indication of costs.

The investigation carried out by the national authority confirmed the complaints raised by the consumer association. IVASS is now planning a line of actions (which they decided not to share during the interview) to improve transparency for add-on products.

The investigation focused on the subsequent sectors and insurance products, as summarized in Section 3.1.5.

Table 81: Break-down of products analysed by sector

Sector	Insurance products
Travel	Sickness, Transport, Financial loss, Legal expenses, Assistance
Vehicles	Land Vehicles, Miscellaneous financial loss, Assistance
Banks	Accident, Sickness, Other damage to property, Assistance
Sports	Accident, Other damage to property, General liability, Legal expenses, Assistance
Public Utilities	Financial loss, Assistance
Mobile Phones	Other damage to property
Transport	Sickness, Assistance

Source: IVASS, 2014, You are insured and perhaps you have not realized it

*Cross-border consumer complaints*

In case of a dispute on events occurred abroad, where an insurance undertaking with head office in another EU Member State is involved, it is possible to seek an out-of-court

<sup>338</sup> <http://www.consumatori.it/>

<sup>339</sup> UNC, 2016, **Turismo: la classifica Unc dei reclami dell'estate 2016**. Available at: <http://www.consumatori.it/comunicati-stampa/turismo-la-classifica-unc-dei-reclami-dellestate-2016/#.V-5AWIWch4g>

settlement of the dispute by starting the so-called FIN-NET procedure, specifically created in Europe for the purpose of solving cross-border disputes.

For example, if during a trip to Austria the ski pass was purchased together with an insurance cover for accidents, in case of an accident a dispute with the Austrian insurance undertaking could arise<sup>340</sup>.

To activate the FIN-NET procedure, the complaint can be filed directly to the foreign system which manages it in the country where the undertaking has its head office<sup>341</sup> or to IVASS, which will forward it to that system and inform the complainant accordingly<sup>342</sup>.

### 3.2.4. Access to information

According to Altroconsumo, finding clear information on non-life insurance products is currently difficult for consumers.

In Italy, there is an increasingly widespread use by consumers of the so-called **"comparison websites" for the orientation and purchase of insurance products, particularly in the field of motor liability insurance**<sup>343</sup>.

Other sources of online information for consumers **are consumers' associations such as** Altroconsumo<sup>344</sup> and UNC<sup>345</sup>, trade associations such as ANIA<sup>346</sup>, and review websites<sup>347</sup>.

The national supervisory authority informs consumers by offering its own comparison tool<sup>348</sup>, as well as by publishing guides<sup>349</sup>, consumer info pages, FAQs and reports targeting consumers. A specific section of their website is dedicated to communication with the consumers<sup>350</sup>. According to IVASS interviewees, the comparison tool offered by them is the only one covering all the products available on the market. The national authority also **offers a contact centre specifically addressing consumers' needs**.

**Consumers' associations also publish information and guidelines on insurance products** which are made available to the public<sup>351</sup>.

In 2013-2014, some of the main consumer associations<sup>352</sup> **developed the "Guido Sicuro 2.0"**<sup>353</sup> campaign in order to provide information about road safety, motor vehicle liability

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<sup>340</sup> FIN-NET, Consumer guide: Settling cross-border financial disputes out of court. Available at: [http://ec.europa.eu/finance/fin-net/docs/guide/consumer-guide\\_en.pdf](http://ec.europa.eu/finance/fin-net/docs/guide/consumer-guide_en.pdf)

<sup>341</sup> Available in the internet site of the European Commission: [www.ec.europa.eu/fin-net](http://www.ec.europa.eu/fin-net)

<sup>342</sup> IVASS, Filing a complaint, available at: [http://www.ivass.it/ivass\\_cms/docs/F25643/guida\\_reclami\\_english.pdf](http://www.ivass.it/ivass_cms/docs/F25643/guida_reclami_english.pdf)

<sup>343</sup> IVASS, 2014, Investigation into comparison websites in the Italian insurance market. Available at: [http://www.ivass.it/ivass\\_cms/docs/F4449/INVESTIGATION\\_INTO\\_COMPARISON\\_WEBSITES\\_IN\\_THE\\_ITALIAN\\_INSURANCE\\_MARKET.pdf](http://www.ivass.it/ivass_cms/docs/F4449/INVESTIGATION_INTO_COMPARISON_WEBSITES_IN_THE_ITALIAN_INSURANCE_MARKET.pdf)

<sup>344</sup> <https://www.altroconsumo.it/soldi/assicurazioni>

<sup>345</sup> <http://www.consumatori.it/auto-moto/assicurazione/>

<sup>346</sup> <http://www.ania.it/it/pubblicazioni/>

<sup>347</sup> <http://opinioniassicurazioni.com/>

<sup>348</sup> Official IVASS price comparative platform available at: <http://www.tuopreventivatore.it/prevrca/prvportal/index.php>

<sup>349</sup> All guides are available at: <http://www.educazioneassicurativa.it/guide-pratiche/>

<sup>350</sup> Contact centre IVASS for consumers available at:

[http://www.ivass.it/ivass/imprese\\_jsp/HomePageSezione.jsp?nomeSezione=PER\\_IL\\_CONSUMATORE&ObjId=90231&titolo=PER\\_IL\\_CONSUMATORE](http://www.ivass.it/ivass/imprese_jsp/HomePageSezione.jsp?nomeSezione=PER_IL_CONSUMATORE&ObjId=90231&titolo=PER_IL_CONSUMATORE)

<sup>351</sup> ALTROCONSUMO: section dedicated to insurance available at:

<http://www.altroconsumo.it/soldi/assicurazioni>

<sup>352</sup> Altroconsumo, Acu, Codici, Lega Consumatori, La Casa del Consumatore

<sup>353</sup> **"Guido Sicuro 2.0" campaign, available at:** <https://www.altroconsumo.it/organizzazione/in-azione/azioni-in-corso/guido%20sicuro%202,-d-,0>

insurance policies and premiums. The project was financed by CNCU<sup>354</sup> (Ministry of Economic Development).

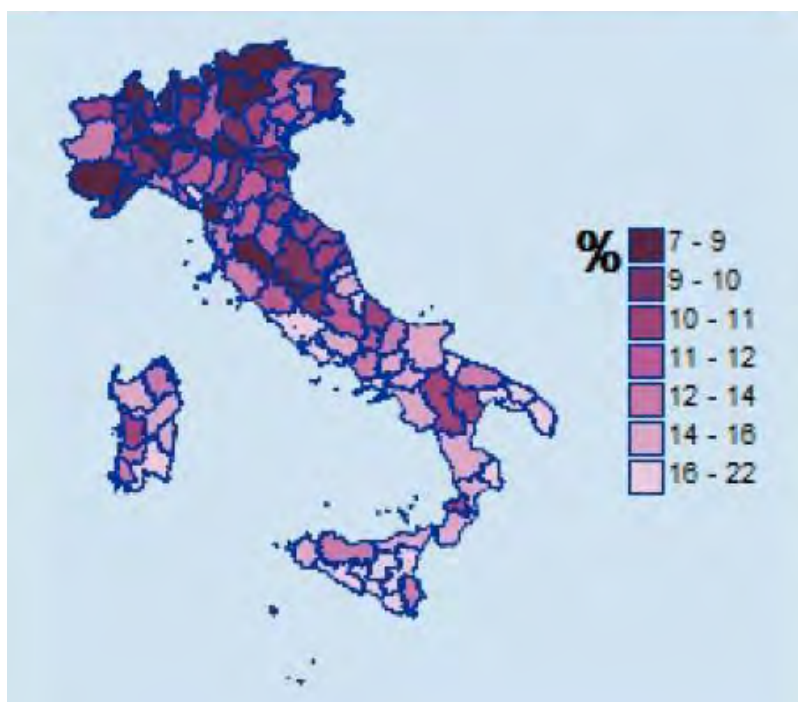
### 3.2.5. Switching behaviour

According to a consumer study carried out by Deloitte<sup>355</sup>, two different types of behaviour were identified in Italy: some participants were more pro-active, frequently comparing offers and switching suppliers, relying mainly on online tools, while others were more conservative, preferring traditional channels and relying on family advice, or buying their insurance from the same company from which they had already purchased other insurance products.

As of December 2012, a motor liability insurance contract in Italy lasts one year and companies are not allowed anymore to automatically renew the insurance contract. The new regulation was introduced to increase the flexibility of the market<sup>356</sup>.

In 2015, 12% of the insured have switched motor liability insurance. The figure below highlights a heterogeneous behaviour across the different provinces. Southern provinces tend to switch companies more frequently as opposed to Northern provinces. According to IVASS the correlations is strong when considering the *Bonus-Malus class*. People with higher profiles, who therefore pay higher premiums, are more likely to switch company.<sup>357</sup>

Figure 31: Switching behaviour in Italy: province level



Source: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015.

<sup>354</sup> Consiglio Nazionale Consumatori e Utenti

<sup>355</sup> Deloitte, 2015, *European Motor Study: Ready for the customers' switch?* Available at: <http://www2.deloitte.com/content/dam/Deloitte/ch/Documents/financial-services/ch-fs-insurance-deloitte-euro-motor-study.pdf>

<sup>356</sup> Educazione Assicurativa, 2015, *L'assicurazione R.C Auto*. Available at: [http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazione-rcauto2015bis\\_web.pdf](http://www.educazioneassicurativa.it/wp-content/uploads/Assicurazione-rcauto2015bis_web.pdf)

<sup>357</sup> IVASS, 2016, *Relazione sull'attività svolta dall'Istituto nell'anno 2015*. Available at: [http://www.ivass.it/ivass\\_cms/docs/F23273/Relazione%20IVASS%202015.pdf](http://www.ivass.it/ivass_cms/docs/F23273/Relazione%20IVASS%202015.pdf)

### 3.2.6. Consumer awareness

In order to increase consumer awareness, the national supervisory authority attached some tests to its published guides to verify the level of understanding of the guides<sup>358</sup>.

On 31 October 2013, the national supervisory authority started an investigation into insurance coverage linked to non-life insurance products and services<sup>359</sup>, to gather information on the diffusion and main features of the products as well as the degree of transparency of their placement with the public<sup>360</sup>.

The products examined consist in "packages" offered to customers under commercial agreements between insurance undertakings and various economic operators, such as public utility companies, maritime and air transport companies, credit institutions or firms selling consumer goods, which provide customers with a principal good or service along with supplementary insurance guarantees. PPI (Payment Protection Insurance) products were not examined<sup>361</sup>.

The investigation highlighted a widespread use of add-on insurances linked to non-life insurance products and services. Over 1,600 types of such contracts were identified, involving over 15 million insured people. Banking, sporting and travel services as well as public utilities were found to be the principally affected areas. The main critical points identified by the investigation concern how to enter or terminate the contract, the awareness of the insurance coverage to use it efficiently in case of claim and the clear itemisation of costs, for which the national supervisory authority is preparing some lines of action. Information about the lines of action has not been released yet<sup>362</sup>.

The action will aim to guarantee that such products are disseminated in a way which does not undermine consumer protection. Consumers must be aware of what they are buying and its cost so that they can appropriately declare a claim when an incident occurs. The investigation highlighted a wide lack of consumer awareness related to the coverage of non-life insurance products and services<sup>363</sup>.

## 3.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from Italy

### 3.3.1. Factors potentially leading to problems with consumer decision-making

According to Altroconsumo, consumer decision-making in Italy is highly influenced by the lack of clarity of the terms and conditions of insurance products, as well as applicable coverage and exclusions. While the information is easily accessible on the internet, it is not sufficiently developed to allow consumers to make informed decisions on the purchase of insurance products.

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<sup>358</sup> All guides are available at: <http://www.educazioneassicurativa.it/guide-pratiche/>

<sup>359</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>360</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>361</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>362</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

<sup>363</sup> IVASS, 2014, You are insured and perhaps you have not realized it. Available at: [www.ivass.it/ivass\\_cms/docs/F9800/sei%20assicurato\\_en.pdf](http://www.ivass.it/ivass_cms/docs/F9800/sei%20assicurato_en.pdf)

The national supervisory authority conducted an investigation to verify the level of transparency and fairness of comparison websites. The investigation brought the subsequent conclusions<sup>364</sup>:

The websites compare only (or mainly) the products of few companies they have entered into agreements with, and from which they receive commissions in respect of each contract concluded. This can create a conflict of interest between the comparing platform and the companies paying for commissions.

The number of companies compared is much lower than the total number of companies available on the market. The only non-commercial website which currently compares all the undertakings is the public website managed by the national supervisory authority and the Ministry of Economic Development - MISE<sup>365</sup>. There is no clear transparency on the actual coverage of the market.

Websites make an extensive use of advertising messages formulated in such a way as to convince consumers that they can achieve considerable savings ("up to 500 EUR") and buy the "best product". They often declare comparing the "best" companies or the "best" products. However, they provide details neither about the criteria for assessing companies and products nor about the bases for calculating the promised saving, carrying out potential misleading information.

**The cheapest policy may not be the most suitable product in relation to consumers' insurance needs.** The comparison is today based solely on the price of the policy, and does not take account its contract terms, such as maximum covers, excess, recourse, exclusions and limitations of covers. Products with different terms are compared, such as the so-called "exclusive driving" clause (which restricts the cover to only one driver) or the so-called "free driving" clause (which does not envisage such limitation). It should be carefully assessed whether the policies presented in the website are suitable to one's own needs. There is no clear transparency on the actual coverage of the products.

It is a common practice for comparison websites to combine ancillary covers not solicited by consumers with motor liability insurance, thus obliging the latter to deselect them at a later stage. This may be justified by the fact that partner insurance undertakings generally recognize additional commissions to the website in case of combination of policies. This practice of product bundling could raise issues and lack of transparency to the consumer.

### 3.3.2. Remedies that have been proposed or put in place

The Italian regulatory authorities took action to improve consumer decision-making in the non-life insurance market.

According to AIBA, in the last few years, policies have been implemented to increase the professionalization of agents and operators selling insurances products. Mandatory life-long learning programmes have been implemented with the support of the relative industry associations.

According to IVASS, specific regulation has been implemented to oblige insurance companies to provide detailed information related to their products online. This guarantees the availability of online information for all the products present on the market.

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<sup>364</sup> IVASS, 2014, Investigation into comparison websites in the Italian insurance market. Available at: [http://www.ivass.it/ivass\\_cms/docs/F4449/INVESTIGATION\\_INTRO\\_COMPARISON\\_WEBSITES\\_IN\\_THE\\_ITALIAN\\_INSURANCE\\_MARKET.pdf](http://www.ivass.it/ivass_cms/docs/F4449/INVESTIGATION_INTRO_COMPARISON_WEBSITES_IN_THE_ITALIAN_INSURANCE_MARKET.pdf)

<sup>365</sup> Tuo Preventivatore, available at: [www.tuopreventivatore.it](http://www.tuopreventivatore.it)

IVASS is working on the simplification of contract documentation for the non-life insurance sector<sup>366</sup>. First, the contracts in the motor sector have been changed. Contract information for motor liability insurance now cannot exceed three pages. The other non-mandatory motor insurance contracts can reach only up until 5 pages. The authority has not only intervened on the length of the contract but has also implemented a standardized format, a list of key information needed and the impossibility to insert references to external documents. Given the positive feedback on the initiative, IVASS is now planning to extend the experience to other insurance products.

Moreover, following the investigation into comparison websites in the Italian market IVASS has intervened with specific measures for the comparison website<sup>367</sup>:

- Include in the homepage the list of insurance companies with which there are agreements (related to the comparison), and declare clearly that the comparison service is subject to remuneration by those companies;
- Include in the output of the comparison the punctual fee paid by the insurance companies in case a contract is concluded;
- Declare clearly the amount of market share covered by the comparison;
- Guarantee that the companies showed at the end of the comparison are all included in the comparison. If one or more companies are not showed there needs to be an explicit explanation (for example that they are ranked by price and only the first 50 cheapest products are showed), and they still need to be showed to the consumer in a second time (platform obliged to show all products);
- Adopt a system able to capture the needs of the customer, and show to the customer only products that reflect his/her needs (no additional products);
- Do not compare only prices of products, but also the key characteristics of the different products that need to be shown using a standardized template in order to simplify comparison;
- Avoid bundling additional products on top of the motor liability and include consumer triggered opt-out mechanism;
- Modify the privacy agreement;
- Reshape commercial messages to follow regulation against misleading commercials.

IVASS is defining possible lines of intervention with regard to insurers selling insurance products as an add-on to other primary products. The regulatory authority is focused on addressing the lack of awareness in the insurance coverage and the unclear indication of costs.

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<sup>366</sup> IVASS, 2016, Semplificazione della nota informativa dei rami danni. Available at: [http://www.ivass.it/ivass\\_cms/docs/F19773/isvc0560.pdf](http://www.ivass.it/ivass_cms/docs/F19773/isvc0560.pdf)

<sup>367</sup> IVASS, 2015, Indagine sui siti comparativi nel mercato assicurativo italiano Risultanze e conseguenti interventi di vigilanza. Available at: [http://www.ivass.it/ivass\\_cms/docs/F13968/Risultanze\\_indagine\\_e\\_interventi\\_di\\_vigilanza.pdf](http://www.ivass.it/ivass_cms/docs/F13968/Risultanze_indagine_e_interventi_di_vigilanza.pdf)

## 4. Country Report: Latvia

### 4.1. Non-life insurance market

#### 4.1.1. Non-life insurance

##### *Overview of the national market*

In Latvia, the total revenues generated by the non-life insurance business in 2014 made up 1.7% of the GDP. In addition, in the same year 66.1% of the overall insurance business was generated from the non-life sector<sup>368</sup>. The three main non-life insurance products available on the Latvian market are land vehicle (CASCO – comprehensive cover), motor third party liability (M3PL) and property insurance. By the end of 2015, there were six domestic non-life insurance companies operating in Latvia, namely Balta, Baltijas **Apdrošināšanas Nams**, **Baltikums** Vienna Insurance Group, BTA Insurance Company SE, Gjensidige Baltic, and BTA Baltic Insurance Company<sup>369</sup>. Furthermore, there were 10 non-life insurance company branches in the country, i.e. 1 Swedish, 4 Estonians, 2 French, 2 Polish and 1 Lithuanian. In 2010, the top 3 non-life insurance companies were BTA (69 million EUR GWP), Gjensidige Baltic (50 million EUR GWP) and Balta (44 million EUR GWP)<sup>370</sup>. Insurers may be a company in the form of a joint stock company, European company or a mutual cooperative insurance society. Over the last ten years, only one new company entered the insurance market, while 7 companies exited the insurance market, and 6 insurance companies became a branch of an EU/EEA insurance company<sup>371</sup>.

The number of non-life insurance companies operating in Latvia during the last 5 years are outlined in the table below. Overall, the number of non-life insurance companies has decreased between 2011 and 2015, while the number of foreign non-life insurance company branches has increased in the same period.

Table 82 : Number of non-life insurance companies operating in Latvia

Year	Number of non-life insurance companies	Number of foreign non-life insurance company branches
2011	9	5
2012	7	8
2013	5	8
2014	5	9
2015	6	10

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies

In terms of market concentration, the market shares of the largest non-life insurance players between 2011 and 2014 were as follows.

<sup>368</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

<sup>369</sup> Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies. Available at: <http://www.fktk.lv/en/statistics/insurance/quarterly-reports.html>

<sup>370</sup> Insurance Europe, 2016, Structural Data. Available at: [http://www.insuranceeurope.eu/sites/default/files/assets/Structural\\_Data.xlsm](http://www.insuranceeurope.eu/sites/default/files/assets/Structural_Data.xlsm)

<sup>371</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>



Table 83 : Market concentration of the non-life insurance sector in Latvia (2011-2014) in terms of gross written premiums

Year	Largest non-life insurers (%)	2 largest non-life insurers (%)	3 largest non-life insurers (%)
2011	33	48	58
2012	32	46	56
2013	34	48	59
2014	43	58	71

Source: OECD, 2016, Latvia: Review of the insurance system

The table below outlines the penetration of the non-life insurance sector in Latvia.

Table 84 : Penetration of the non-life insurance sector in Latvia

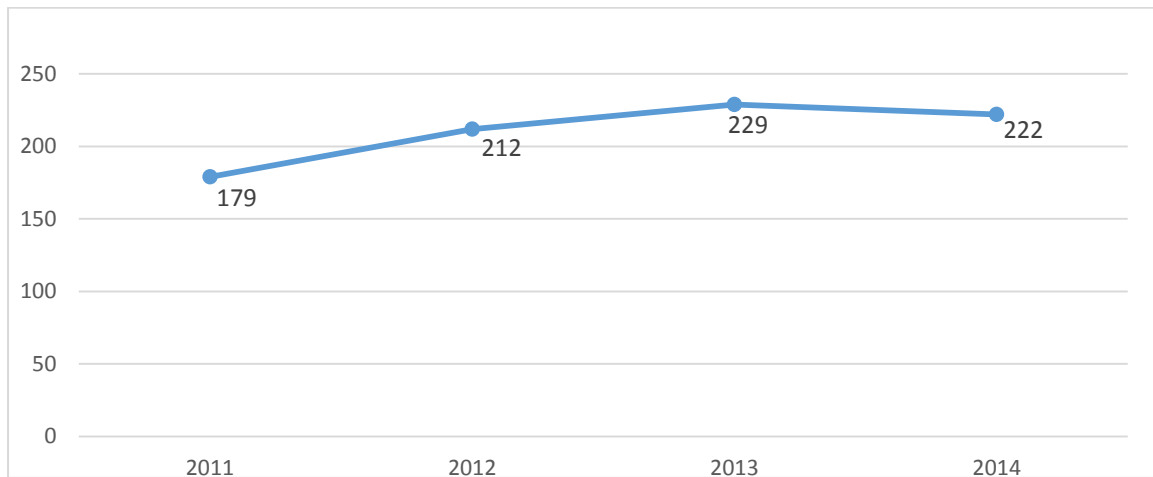
Year	2011	2012	2013	2014
Non-life penetration	1.6%	1.7%	2.3%	1.7%

Source: OECD, 2016, Latvia: Review of the insurance system

According to the table above, the year 2013 recorded penetration levels above average compared to other years between 2011 and 2014, with a penetration rate of 2.3%.

The insurance density grew steadily between 2011 and 2013. However, a slight drop was noticed in 2014 compared to 2013.

Figure 32 : Non-life insurance density in Latvia 2011-2014



Source: OECD, 2016, Latvia: Review of the insurance system

Note: The original data were in USD and did not specify whether they took account of the volatile exchange rate and of inflation.

The table below presents the evolution of the number of non-life insurance contracts. Excluding health, the number of non-life insurance contracts increased between 2011 and 2012 before slightly decreasing in 2013. Including health, it oscillated in the same period between 4 million and 4.3 million.



Table 85: Number of non-life insurance contracts in Latvia

Year	Number of non-life insurance contracts (excluding health)	Number of foreign non-life insurance contracts (including health)
2011	3,929,965	4,012,347
2012	4,358,167	4,416,492
2013	4,312,368	4,343,055

Source: Insurance Europe, 2016, European Insurance Industry Database

Regarding regulation, since the 2004 Law on the Compulsory Insurance against Civil Liability in Respect of Motor Vehicles<sup>372</sup>, motor third party liability insurance is compulsory in Latvia. It is the only compulsory non-life insurance B2C coverage in the country for all citizens who own a motor vehicle.

The Law on Insurance and Reinsurance<sup>373</sup> entered into force on 1<sup>st</sup> January 2016, replacing the Law on Insurance Companies and Supervision. It outlines the conditions for the provision of insurance services (B2B and B2C), the legal status of these services and providers, and reorganisation and winding-up proceedings in Latvia. The Law also introduces new requirements in terms of *inter alia* the system of governance, the calculation of technical provisions and public reporting<sup>374</sup>.

In line with the Insurance Contracts Law<sup>375</sup>, before concluding a contract, the insurer must inform the customer about the law applicable and the procedures for out-of-court settlement of complaints. The insurance Contracts Law also defines the compulsory information to be included in insurance contracts, such as the start date and expiration date of the contract, the risk insured, the insurance object, the sum insured, the insurance premium, procedures and due dates for the payment of the premium, the recipient of the insurance indemnity, the time limit<sup>376</sup> for taking a decision regarding the insurance indemnity payment or refusal to pay such indemnity, the conditions for termination of the contract, duties of the parties, their responsibility for the failure to meet the terms and conditions of the contract, the procedure for dispute resolution. The insurer and the policyholder may terminate the insurance contract within the period between the date the contract is concluded and the date the contract takes effect, with a notification not later than fifteen days before the date the contract takes effect. A non-life insurance contract shall not exceed 3 years.

The Financial and Capital Market Commission (FCMC) is an independent public institution, acting as the national supervisory authority in Latvia as regard financial services, including insurance. The FCMC regulates and monitors the functioning of the financial and capital market and its participants. In 2012, the FCMC started an internal complaints-handling procedure to review complaints received on financial and capital market participants' behaviour, to protect consumers' **interests**.

<sup>372</sup> Available at: <https://likumi.lv/doc.php?id=87547>

<sup>373</sup> Available at: <http://likumi.lv/ta/id/274969-apdrosinasanas-un-parapdrosinasanas-likums> (Latvian only, English version currently not available)

<sup>374</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

<sup>375</sup> Law on Insurance Contracts, 2006. Available at: [http://www.fktk.lv/texts\\_files/aParapdrpsinasanasligumuargrozAngl.doc](http://www.fktk.lv/texts_files/aParapdrpsinasanasligumuargrozAngl.doc)

<sup>376</sup> Within a one-month period from the date of receipt of all the documents specified by the insurance contract.

In addition, FCMC issues licenses for insurance companies. To receive an insurance licence, insurance companies are required to submit an application for one or several categories of insurance products<sup>377</sup>. According to the Law on Insurance Companies and Supervision Thereof, the FCMC is able to issue licences for non-life insurance (including land vehicle, property, M3PL, guarantee insurance and assistance insurance).<sup>378</sup>

The FCMC then examines the application and takes a decision within a six-month period after receipt of the application<sup>379</sup>.

The Law on Activities of Insurance and Reinsurance Intermediaries<sup>380</sup> regulates the activities and supervision of intermediaries (agents, brokers), who shall commence activity after registering in a register for insurance and reinsurance intermediaries, maintained by the FCMC. This Law defines the relations between intermediaries and customers, in particular the mandatory information to provide to the client prior to entering an insurance contract (e.g. legal status of the firm and commercial links with insurance providers, procedures for out of court dispute resolution).

According to the Law on personal income tax<sup>381</sup>, only life and health insurance premiums (but not the other categories of non-life insurance) are eligible as expenditure, which can be deducted from the amount of annual taxable income. Furthermore, insurance compensation is not qualified as taxable income in Latvia<sup>382</sup>. In addition, Latvia does not have any indirect taxation on insurance contracts<sup>383</sup>.

### *Overview of premiums*

In 2014, around 78% of the 0.4 billion EUR total gross written premiums (GWP) in the insurance sector in Latvia were for non-life insurance products, thus demonstrating the prevalence of non-life compared to life in terms of premiums generated. The table below illustrates the total earned premiums and GWP generated by the non-life business in Latvia, as well as the share of GWP provided through contracts with consumers as opposed to businesses. Non-life earned premiums and GWP have steadily increased between 2011 and 2015. However, GWP of B2C non-life contracts have decreased in 2015, but no explanation for this sudden drop could be found. In the breakdown of GWP by sector, property slightly decreased in the same period, and other categories of insurance products not specific to B2C (credit insurance, aircraft insurance, transport ownership liability insurance).

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<sup>377</sup> Along with information and documentation in accordance with the provisions of the Law on Insurance and Reinsurance and the Regulations No 4 on the Issue of Insurance Licences, Obtaining Permits Regulating the Operation of Individual Insurance Companies, Documentation Harmonization and Reporting of 06.01.2016 approved by the Board of the FCMC, more information available at: <http://www.fktk.lv/en/law/insurance/laws/>

<sup>378</sup> The list of non-life insurance activities for which the FCMC issues licences does not mention travel insurance.

<sup>379</sup> Financial and Capital Market Commission, 2016, Licensing of insurance companies. Available at: <http://www.fktk.lv/en/licensing/insurance/insurance-companies.html>

<sup>380</sup> Law on Activities of Insurance and Reinsurance Intermediaries, 2005. Available at: [http://www.fktk.lv/texts\\_files/Starpnieki.doc](http://www.fktk.lv/texts_files/Starpnieki.doc)

<sup>381</sup> Law on Personal Income Tax, version of 1 January 2017. Available at: <https://likumi.lv/doc.php?id=56880>

<sup>382</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

<sup>383</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

Table 86 : Earned premiums and Gross written premiums (GWP) for non-life insurance in Latvia

Year	Earned premiums in the non-life insurance sector (million EUR)	GWP in the non-life insurance sector (million EUR)	GWP in non-life insurance contracts with consumers-B2C (million EUR)	% of GWP regarding contracts with consumers – B2C
2011	242.3	287.6	119.5	42%
2012	275.2	319.4	128.0	40%
2013	281.1	311.1	133.2	43%
2014	298.9	326.9	141.6	43%
2015	304.5	332.0	121.7	37%

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies

#### Overview of data on claims

Data regarding claims paid in Latvia during the last five years are shown in Table 87.

Table 87 : Non-life insurance claims paid in Latvia (2011-2015)

Year	Amount of claims paid (million EUR)	Claims handling expenses (million EUR)	Gross claims paid (million EUR)
2011	160.3	12.8	162.9
2012	166.6	13.2	168.8
2013	164.1	12.4	165.1
2014	182.2	13.3	183.6
2015	196.3	14.8	198.0

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies. Available at: <http://www.fktk.lv/en/statistics/insurance/quarterly-reports.html>

There was a substantial increase in gross claims paid between 2013 and 2014, which were 18.5 million EUR higher in 2014. This evolution continued to be observed in 2015, where gross claims paid reached almost 200 million EUR.

In terms of ratios, the table below outlines the evolution of combined ratios during the last five years.

Table 88 : Non-life insurance ratios in Latvia

Year	Loss ratio (%)	Expenses ratio (%)	Combined ratio (%)
2011	N/A	N/A	110.7
2012	N/A	N/A	100.4
2013	61.5	36.6	98.2
2014	63.3	36.6	99.9
2015	65.5	36.4	101.9

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies and OECD, 2016, Latvia: Review of the insurance system

The table shows that the combined ratio improved over the years, dropping below 100% in 2013 and 2014 before rising to 101.9% in 2015. The loss (or claim) ratio increased steadily over the last three years, reaching 65.5% in 2015. The expenses ratio remained stable between 36.4% and 36.6%.

No data was available regarding the number of non-life insurance claims.

#### 4.1.2. Household insurance

##### *Overview of the selected products*

Household insurance, in the form of property insurance in Latvia includes protection against fire and natural elements (hail, snow, storm, lightning, accident caused by fire, explosion, nuclear energy, earth subsidence) and protection against other damage to property such as third party criminality (theft, vandalism) caused to the building.

In addition, home content insurance covers damage caused to the content of the building insured (by water leak, electric explosion, etc). It covers furniture, clothes, kitchen appliances, electric equipment and can also include belongings kept outdoors (garden furniture, trampolines, play grounds)<sup>384</sup>.

In terms of regulation, FCMC issues licenses for property insurance products.

Household insurance is not compulsory by law. However, customers who have a mortgage on their house are often required to take out an insurance policy in the replacement value of the purchased real estate, equalling the amount that would be necessary to build a new equivalent building in the place of the old one with the same constructions and parameters and having the same purpose<sup>385</sup>.

##### *Overview of the national market*

The table below provides information on the non-life insurance market share of property insurance in Latvia between 2011 and 2014, in terms of gross written premiums.

<sup>384</sup> Nordea, Home insurance. Available at: <http://www.nordea.lv/private+customers/insurance/home+insurance/home+insurance/54917.html>

<sup>385</sup> Nordea, Home insurance. Available at: <http://www.nordea.lv/private+customers/insurance/home+insurance/home+insurance/54917.html>

Table 89 : Market share of property insurance (building) in the non-life insurance market in Latvia

Year	2011	2012	2013	2014
Property concentration	18.8%	16.3%	16.1%	20.4%

Source: OECD, 2016, Latvia: Review of the insurance system

Property insurance is the third main non-life insurance product in the Latvian market, after motor third party liability and land vehicle insurance (cf. section 4.1.3)<sup>386</sup>. Indeed, in 2014 the product held one fifth of the non-life insurance market (20.4%). While there was a 2.5 percentage point decrease in the market share between 2011 and 2012, property insurance gained 4.3 percentage points in 2014, reaching one fifth of the market (20.4%) and securing its position as one of the main non-life insurance products in the country.

The number of property insurance contracts has increased steadily between 251,939 in 2011 to 377,915 in 2013<sup>387</sup>.

The table below displays property insurance density and penetration rates.

Table 90 : Property insurance density and penetration in Latvia

Year	Property density (EUR)	Property penetration (%)
2011	23	0.2
2012	25	0.2
2013	25	0.2
2014	33	0.3

Source: Insurance Europe, 2016, European Insurance Industry Database

Property density increased steadily between 2011 and 2013, then rose by 8 EUR to reach 33 EUR in 2014. Property density remained stable at 0.2% from 2011 to 2013, with a slight increase to 0.3% in 2014.

### *Overview of premiums*

The evolution of gross written premiums in property insurance in Latvia is described in the table below.

<sup>386</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

<sup>387</sup> Insurance Europe, 2016, Insurance Europe industry database. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

Table 91 : Gross written premiums in property (building) insurance in Latvia

Year	GWP (million EUR)	% of total GWP
2011	47.0	16.3%
2012	51.6	16.2%
2013	51.2	16.5%
2014	66.6	20.4%
2015	66.1	19.9%

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies

Property-related gross written premiums observed a large increase in 2014, up by 27.7 percentage points from 51.2 million EUR to 66.6 million EUR. The level of GWP was then sustained the following year, representing a fifth of the total premiums for non-life insurance products in Latvia.

No data were available on earned premiums per non-life insurance branch, so earned premiums for household or property insurance could not be provided.

#### *Overview of data on claims*

Information regarding gross claims paid and the ratio of claims paid on GWP for property insurance in Latvia is provided in the table below.

Table 92 : Gross claims paid and ratio of claims paid compared to GWP in property (building) insurance in Latvia

Year	Gross claims paid (million EUR)	Ratio of gross claims paid compared to GWP (%) <sup>1</sup>
2011	23.3	49.6
2012	23.7	45.9
2013	18.3	35.7
2014	23.0	34.5
2015	31.1	47

Note: 1. Based on calculation of claims paid divided by GWP for property insurance

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies

The table shows that the amount paid out by insurers differs year on year, with 12.8 million EUR paid more in 2015 compared to 2013. The ratio of claims paid on GWP improved year-on-year between 2011 and 2014, due to an increase of GWP and stable claims paid, however it deteriorated in 2015.

No data was available on combined ratios for property insurance.

## 4.1.3. Motor insurance

*Overview of the selected products*

The motor insurance market in Latvia is dominated by two products: motor third party liability (M3PL or OCTA) and land vehicle insurance.

M3PL is the most widespread compulsory<sup>388</sup> insurance product in terms of non-life insurance in Latvia (for motor vehicle owners). It covers risks such as material losses caused by a third party during a traffic accident, the intangible losses of a third party caused during a traffic accident, and damage to the property of a third party during a traffic accident. Five local insurance companies (including BTA Insurance Company SE<sup>389</sup>) **provide this product as well as six EU/EEA Member States' insurer branches**<sup>390</sup>.

By law<sup>391</sup>, **the insurer's liability for M3PL claims** is limited to 5,000,000 EUR for indemnification of personal losses (regardless of the number of injured persons) and to 1,000,000 EUR for indemnification of property loss (regardless of the number of third parties).

Land vehicle insurance, also known as CASCO, is voluntary. Depending on the insurers and policy chosen by the consumer, CASCO insurance can cover *inter alia* the destruction of the vehicle, burglary, theft, fire, traffic accidents, natural disasters, glass breakage, animals, falling objects and illegal activities of third parties.

In terms of regulation, FCMC issues licenses both for M3PL and land vehicle insurance products.

*Overview of the national market*

The market shares of the two motor insurance products between 2011 and 2014 feature in the table below.

Table 93 : Market shares of M3PL and land vehicle insurance in the non-life insurance market in Latvia in terms of gross written premiums.

Year	M3PL (%)	Land vehicle (%)
2011	38.4	20.2
2012	37.9	20
2013	40	21.3
2014	36.3	20.4

Source: OECD, 2016, Latvia: Review of the insurance system

M3PL holds the most significant share of the non-life insurance market. According to the table, over one third of the non-life insurance market is attributed to M3PL. The 3.7 percentage point loss between 2013 and 2014 can be explained by the liquidation of one

<sup>388</sup> Law on the Compulsory Insurance against Civil Liability in Respect of Motor Vehicles, 2004. Available at: <http://likumi.lv/doc.php?id=87547>

<sup>389</sup> <https://www.bta.lv/en>

<sup>390</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

<sup>391</sup> Law on the Compulsory Insurance against Civil Liability in Respect of Motor Vehicles, 2004. Available at: <http://likumi.lv/doc.php?id=87547>

of the main market players, Balva. Land vehicle insurance is the second product on the non-life insurance market in terms of market share, occupying one fifth of the market.

Motor vehicle civil liability insurance is the type of insurance product most commonly purchased in Latvia (34% of the population)<sup>392</sup>. This can be explained by the fact that it is the only non-life insurance product required by law for all citizens who own a motor vehicle in Latvia.

The number of vehicles insured in Latvia for both insurance products is described in the table below.

Table 94 : Number of vehicles insured in M3PL and land vehicle insurance in Latvia

Year	Number of vehicles insured in M3PL	Number of vehicles insured in land vehicle insurance
2011	600,607	161,873
2012	833,584	193,069
2013	575,010	194,492
2014	516,638	183,627
2015	566,544	188,739

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies

The number of vehicles insured for M3PL was exceptionally high in 2012, while land vehicle insurance recorded a high in 2012 and 2013. The number of vehicles insured in these two products therefore seems to fluctuate year-on-year.

The number of motor insurance contracts has increased year on year, from 2,616,761 in 2011 to 3,008,629 in 2013<sup>393</sup>.

The table below displays motor insurance density and penetration rates.

Table 95 : Motor insurance density and penetration in Latvia

Year	Motor insurance density (EUR)	Motor insurance penetration (%)
2011	82	0.8
2012	90	0.8
2013	94	0.8
2014	92	0.8

Source: Insurance Europe, 2016, European Insurance Industry Database

<sup>392</sup> Latvian Insurers Association, Apdrošināšanas ābece. Available at: <https://www.youtube.com/watch?v=BGzksP8dz84>

<sup>393</sup> Insurance Europe, 2016, Insurance Europe industry database. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)



The motor penetration rate remained stable at 0.8% from 2011 to 2014. Motor insurance density increased regularly from 2011 and 2012, before receding by 2 EUR in 2014, reaching 92 EUR.

**The association Motor Insurers' Bureau of Latvia (MIB or LTAB)**<sup>394</sup> regroups all insurance companies entitled to distribute motor third party liability insurance to motor vehicle owners in the Republic of Latvia. The competence, rights and obligations of the Bureau are defined by the Law on the Third-Party Liability Insurance for inland motor vehicle owners. **The main aim of the Bureau is to ensure the protection of third persons' interests** who have been victims of a traffic accident, as well as to promote the stability and development of the compulsory third party liability insurance for inland motor vehicle owners.

#### *Overview of premiums*

The gross written premium (GWP) in M3PL and land vehicle insurance (i.e. comprehensive cover), as well as the share of the total non-life GWP, are shown in the table below.

Table 96 : Gross written premiums in motor insurance in Latvia

Year	GWP for M3PL (million EUR)	% of total GWP	GWP for land vehicle insurance (million EUR)	% of total non-life GWP
2011	37.8	13.1%	58.0	20.2%
2012	41.1	12.9%	64.0	20.0%
2013	35.5	11.4%	66.1	21.2%
2014	34.5	10.6%	65.5	20.0%
2015	36.7	11.1%	70.2	21.1%

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies

Motor third party liability (M3PL) insurance, acquired by all citizens who own a motor vehicle, represents on average 11.5% of the total GWP of the non-life insurance business. The share of M3PL insurance of the total GWP decreased by 15% between 2011 and 2015, while the amount of GWP only decreased by 1.1 million EUR during that period.

Between 2012 and 2014, gross premiums written decreased by 16% for motor third party liability insurance. The decline can be explained by the liquidation of a major insurance company Balva. As of June 2013, the Financial and Capital Market Commission cancelled **all Balva licenses with the consequent exclusion of the "Latvian Motor Insurers' Bureau"** society. In 2014, **the focus of Balva's operations was limited to its obligations** to its customers and partners, not underwriting new business but handling the run-off business. In addition, the number of registered vehicles did not change significantly compared to 2013 (+3.4%), which resulted in premiums to remain at the previous levels<sup>395</sup>.

Land vehicle insurance GWP are on average 20 million EUR higher than those of M3PL, as the insurance product is more expensive due to the more extensive coverage included in the contract. While the amount of GWP varied from 58 million EUR in 2011 to 70.2 million

<sup>394</sup> [www.ltab.lv](http://www.ltab.lv)

<sup>395</sup> SAUSZEMES TRANSPORTLĪDZEKĻU ĪPAŠNIEKU CIVILTIESISKĀS ATBILDĪBAS OBLIGĀTĀ APDROŠINĀŠANA (2014). Available at: [https://www.ltab.lv/wp-content/uploads/2015/02/OCTA\\_statistika\\_2014\\_12men.pdf](https://www.ltab.lv/wp-content/uploads/2015/02/OCTA_statistika_2014_12men.pdf)

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EUR in 2015, the share of land vehicle insurance in the total GDP remained relatively stable (i.e. no more than a 1.2 percentage point year-on-year variation in the last 5 years).

No data were available on earned premiums per non-life insurance branch, so earned premiums for motor insurance could not be provided.

### *Overview of data on claims*

The table below illustrates the gross claims paid and ratio of claims paid on GWP over the last five years for two motor insurance products: M3PL and land vehicle insurance.

Table 97 : Gross claims paid and ratio of claims paid on GWP in motor insurance in Latvia

Year	Motor third party liability insurance (million EUR)	Ratio of gross claims paid compared to GWP (%)	Land vehicle insurance (million EUR)	Ratio of gross claims paid compared to GWP (%)
2011	30.5	80.7	40.3	69.4
2012	28.0	68.1	39.0	60.9
2013	22.2	62.5	42.0	63.5
2014	26.8	77.7	46.2	70.5
2015	26.7	74	48.6	69.2

Note: 1. Based on calculation of claims paid divided by GWP for motor insurance

Source: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies

The amount of gross claims paid was considerably higher for land vehicle insurance compared to M3PL, which, as was the case for GWP, is explained by the more extensive coverage.

The ratio of claims paid on GWP improved significantly in the period 2011-2013 for M3PL and land vehicle insurance (comprehensive cover), before a peak in 2014, due to the rise of claims paid and a decrease of GWP that year. Both ratios have improved again in 2015.

No data was available on combined ratios.

#### 4.1.4. Car rental insurance

##### *Overview of the selected products*

In general, Collision Damage Waiver and theft protection are included in the price of the rental in Latvia. Collision Damage Waiver has an excess between 293 EUR and 1,050 EUR, as does theft protection<sup>396</sup>. Depending on the type of car rented, excess is at minimum between 300 EUR and 400 EUR<sup>397</sup>.

In addition, an optional Personal Accident Insurance can be added for an average of 9 EUR a day. Super Collision Damage Waiver is also available, allowing the excess to be close to zero.

<sup>396</sup> Auto europe, Information about Car Rental and Driving in Latvia. Available at: <http://www.autoeurope.com/go/driving-information/latvia/>

<sup>397</sup> EZrent. Available at: <http://www.ezrent.lv/en/car-rental-conditions>

### *Overview of the national market*

In Latvia, car rental companies are represented by the Latvian Leasing association<sup>398</sup>.

No other data specific to car rental insurance products were available.

### *Overview of premiums*

No data specific to car rental insurance products were available.

### *Overview of data on claims*

No data specific to car rental insurance products were available.

## 4.1.5. Insurance products sold as an add-on to other primary products

### *Overview of the selected products*

Extended warranties are generally bought through retailers. The home or electronic appliance which has the warranty is covered in case of breakage, water, fire and theft. In addition, if the object is considered as permanently damaged, it is replaced under the insurance cover<sup>399</sup>.

Travel insurance basic cover includes:

- Medical expenses;
- Urgent dentistry;
- Repatriation;
- Medical evacuation;
- Expenses of a person accompanying the injured person;
- Loss or theft of passport or ID-card.

In addition, consumers can choose optional insurance to have coverage for e.g. travelling cancellation, loss, theft, damage or destruction of luggage, civil liability. Higher levels of coverage include that of legal assistance, interruption of travel, and expenses for the arrival of a relative in exceptional cases<sup>400</sup>.

Home assistance is generally included in property insurance and provides assistance by a qualified specialist (plumber, locksmith, builder) in case of emergency<sup>401</sup>.

### *Overview of the national market*

No data specific to insurance products sold as an add-on to other primary products were available.

### *Overview of premiums*

No data specific to insurance products sold as an add-on to other primary products were available.

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<sup>398</sup> Latvian Leasing association. Available at: <http://www.llda.lv/en/>

<sup>399</sup> Warranty expert. Available at: <https://warranty.expert/latvia/en>

<sup>400</sup> BTA, Travel insurance. Available at: <https://www.bta.lv/en/private/travel-insurance#-what-are-the-risks-covered-by-the-insurance>

<sup>401</sup> Swedbank, Home Insurance. Available at: <https://ib.swedbank.lv/private/insurance/home/ihome?language=ENG>

*Overview of data on claims*

No data specific to insurance products sold as an add-on to other primary products were available.

## 4.1.6. Sales practices and distribution channels

*Practices of non-life insurers in Latvia*

Specific data on distribution channels for insurance product in Latvia were sparse.

In 2014, 72% of all insurance (life and non-life) premiums were written by insurance companies<sup>402</sup>. However, no additional data on the share of premiums distributed per channel were found for that year.

In 2010, the main insurance distribution channels in Latvia were brokers and agents (tied and multi-tied)<sup>403</sup>. According to the Latvian Insurers Association and FCMC interviewees, this is currently still the case. However, **direct sales through insurance companies are also widely practiced, using companies' websites, call centres and walk-in shops.**

In addition, brokers are also used by consumers to purchase insurance products. Brokers are represented by the Latvian Insurance Brokers Association (LIBA). LIBA counts 45 members, i.e. more than half of the insurance brokerage market. The aim of the association is to enhance the development and growth of the quality of the insurance brokerage market, as well as representing common interests. Furthermore, there is the Latvian Professional Insurance Brokers Association, a professional insurance brokers association composed of six members<sup>404</sup>.

Regarding car rental and add-on insurance products specifically, insurance partners such as car rental offices and travel agencies are also relevant insurance distribution channels used in Latvia. However, no specific data regarding their share of the market was found or could be estimated by the interviewees (Latvian Insurers Association and FCMC).

Rough estimation of the share of distribution channels used for non-life insurance products were provided by the Latvian Insurers Association, as follows.

Table 98 : Estimation of the share of distribution channels for non-life insurance sales in Latvia

Distribution channel	Brokers	Agents	Direct sales	Partners
Share of sales (estimated)	40%	20%	20%	20%

Source: Interview with the Latvian Insurers Association

However, the interviewee from the Latvian Insurers Association mentioned that motor and travel insurance products are heavily sold through the internet and call centres, with

<sup>402</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

<sup>403</sup> CEA Statistics, 2010, Insurance Distribution Channels in Europe. Available at: <http://www.draudimas.com/allpics/distribution.pdf>

<sup>404</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

internet grasping 40% of the market in these cases. In addition, price comparison websites are also used, but only for motor insurance products.

Both the Latvian Insurers Association and the FCMC interviewees highlighted the fact that there was a growing trend of online sales of insurance products, as it is the cheapest channel for purchasing insurance for a consumer and the cheapest channel for the company to supply the product. According to the Latvian Insurers Association and FCMC, the share of these sales can be expected to grow during the next five years.

However, the Latvian Insurers Association noted during an interview that the use of price comparison websites is more adapted to the sale of certain categories of non-life insurance products compared to others. Indeed, the Latvian Insurers Association explained that motor and travel insurance products were easily sold through price comparison websites, while this was not the case for household insurance products. Through the Motor Insurance Bureau and the car registration office's data, it is easy for consumers to enter the information required to purchase the product as part of it is already in the database. **Furthermore, the insurer has rapidly access to the driver's history to determine a quote.** However, regarding property insurance, the consumers have to enter all the information themselves, which is a time-consuming task. Therefore, they might prefer to resort to direct sale or insurance intermediary distribution channels when purchasing this type of product.

In terms of discrimination based on age, to rent a car, in Latvia, the driver must be at least 21 years old and have held a license for 1 year. Drivers under the age of 25 may incur a young driver surcharge<sup>405</sup>. Information on discriminatory practices based on age were not found for other categories of insurance.

#### 4.1.7. Key features of cross-border transactions

##### *Cross-border sales*

Cross-border sales through freedom to provide services (FPS) are present in almost all categories of non-life insurance products, apart from the compulsory M3PL and legal expenses<sup>406</sup>. Furthermore, there are currently no cross-border sales of life insurance products via FPS according to data from the FCMC. Therefore, only non-life insurance products are sold under FPS in the insurance sector.

In 2014, there were 467 providers of insurance services from EEA countries operating in Latvia under FPS. In addition, 14 company branches from the EEA were operating on a freedom of establishment (FOE) basis (including life insurance).

The following section will concentrate on the insurance transactions under FPS. The table below presents the non-life insurance GWP generated via FPS in Latvia between 2013 and 2015, as well as the represented share in the total non-life GWP.

Table 99 : Gross written premiums (GWP) via FPS in Latvia

Year	Non-life GWP via FPS (million EUR)	% of total non-life GWP
2013	110.8	33.5%

<sup>405</sup> Auto Europe, Information about Car Rental and Driving in Latvia. Available at: <http://www.autoeurope.com/go/driving-information/latvia/>

<sup>406</sup> Latvia Insurers Association, 2011 to 2014, Premiums written and claims paid by insurance companies. Available at: <http://www.laa.lv/market-data/>

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Year	Non-life GWP via FPS (million EUR)	% of total non-life GWP
2014	168.3	32.5%
2015	157.0	29.6%

Source: Latvian Insurers Association, 2013 to 2015, Premiums written and claims paid by insurance companies

According to the table above, there was a considerable increase of GWP via FPS in Latvia between 2013 and 2014 with an additional 57.5 million EUR. However, the share of non-life GWP generated by insurers registered in Latvia through FPS decreased year-on-year between 2013 and 2015, from 33.5% to 29.6% of the total non-life GWP.

In terms of premiums under the direct sale distribution channel, the average amount of premiums written in Latvia by insurers under FPS equals to 4% of total premiums written in the insurance market<sup>407</sup>. The Latvian Insurers Association interviewee mentioned that most FPS activities were conducted through brokers and agents rather than the internet, although this depends on the strategy of the company. However, no estimations could be given regarding the shares of distribution channels used.

The table below illustrates the total insurance gross claims paid under FPS for non-life insurance products.

Table 100 : Gross claims paid via FPS in Latvia

Year	Non-life gross claims paid via FPS (million EUR)	% of non-life gross claims paid compared to GWP
2013	54.7	49.4%
2014	86.6	51.6%
2015	93.7	59.6%

Source: Latvian Insurers Association, 2013 to 2015, Premiums written and claims paid by insurance companies

In keeping with the increase in GWP via FPS, there has been a year-on-year increase in gross claims paid between 2013 and 2015, with a substantial growth in 2014 compared to 2013. Due to this reason, the ratio of claims paid on GWP via FPS has deteriorated between 2013 and 2015. However, this ratio remains below 60% which may be due to the fact that the compulsory M3PL insurance, traditionally presenting a high number of claims, is not present in cross-border sales via FPS.

Regarding the regulation, as for domestic insurance, the FCMC is the responsible authority. The Law on Insurance Companies and Supervision Thereof provides the legislative framework for cross-border insurance activities, whereby it allows insurance services in Latvia to be provided through a commercial company in the form of a branch of a foreign insurer, but only after obtaining a licence for the provision of insurance services. This license is issued by the FCMC.

An insurance company intending to provide insurance services from an EU/EEA Member State without opening a branch (i.e. through FPS) must notify the FCMC in writing. FCMC then has 3 months to decide on the application. The administrative practices and criteria used by the FCMC to come to a decision are the same as those applicable to domestic

<sup>407</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

insurers<sup>408</sup>. However, cross-border activities from non-EU or EEA Member States is not allowed in Latvia. Latvian residents, however, can acquire an insurance policy overseas upon their own initiative.

In terms of taxes, there are no corporate tax differences between domestic companies and branches of foreign companies. The only difference in the tax treatment between domestic insurance companies and other companies is the possibility to reduce the taxable base for amounts transferred into technical reserves<sup>409</sup>.

In addition, the FCMC cooperates with other Member State supervisory authorities regarding insurance FPS provision. Indeed, an agreement was reached on additional cooperation between the Banks of Lithuania and the Financial and Capital Market Commission of Latvia for the supervision of cross-border insurance undertakings, as well as with the Financial Supervisory Authority of the Republic of Estonia.

#### *Main factors limiting cross-border insurance purchases*

According to the Latvian Insurers Association, there are no legal barriers to the sale of cross-border non-life insurance products. The main barriers are linked to cultural factors and brand recognition for Latvian residents. However, the cross-border business of motor and travel insurance are easier to enter as they are more profitable for businesses.

#### *Interventions to increase cross-border demand*

The demand of consumers and businesses for cross-border insurance is triggered by lower prices, which can be particularly relevant when the same currency is used in the countries of the insurer and policyholder, allowing a direct comparison of offers from different Member States. Consumers might not be concerned about where the contract is issued or whether the insurer is domiciled in another country, if they can secure a cheaper premium<sup>410</sup>. No specific public or private interventions aiming at increasing the cross-border demand of insurance products are currently underway in Latvia.

#### *Key features of cross-border transactions of household insurance products*

The third non-life insurance product bought most frequently via FPS in Latvia is property insurance, behind voluntary motor third party liability (M3PL) and land vehicle insurance. The shares of cross-border GWP for property insurance during the last 3 years are illustrated in the table below, along with the associated share of total GWP via FPS.

Table 101 : Gross written premiums (GWP) via FPS in Latvia– Property insurance

Year	Property (million EUR)	% of total GWP via FPS
2013	15.9	14.4%
2014	36.5	21.7%
2015	33.1	21.1%

Source: Latvian Insurers Association, 2013 to 2015, Premiums written and claims paid by insurance companies

<sup>408</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

<sup>409</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

<sup>410</sup> European Commission, 2014, Final Report of the Commission Expert Group on European Insurance Contract Law. Available at: [http://ec.europa.eu/justice/contract/files/expert\\_groups/insurance/final\\_report.pdf](http://ec.europa.eu/justice/contract/files/expert_groups/insurance/final_report.pdf)

## Country fiches

Between 2013 and 2014, the GWP generated via FPS in Latvia more than doubled, from 15.9 to 36.5 million EUR, and the represented share in GWP via FPS gained 7.3 percentage points, reaching 21.7%.

Regarding claims, the table below displays the gross claims paid for property insurance bought via FPS between 2013 and 2014.

Table 102 : Gross claims paid via FPS in Latvia– Property insurance

Year	Property (million EUR)	% of property gross claims paid via FPS compared to GWP
2013	3.9	24.5%
2014	9.6	26.3%
2015	15.2	45.9%

Source: Latvian Insurers Association, 2013 to 2015, Premiums written and claims paid by insurance companies

The gross claims paid via FPS increased year-on-year between 2013 and 2015. The ratio between claims paid and GWP deteriorated considerably in 2015 due to a rise in claims paid and a decrease of GWP. However, this ratio remains low overall, below 50%.

### *Key features of cross-border transactions of motor insurance products*

Over the last 3 years, the non-life insurance product with the highest share of FPS GWP was voluntary M3PL (e.g. ship ownership liability insurance), as the product is rarely sold by Latvian companies. Therefore, most sales are conducted via FPS. Indeed, the shares were substantial during the last 3 years: 56.4% of the total cross-border GWP in 2013, 50.0% in 2014, and 47.2% in 2015. However, the share has been decreasing year-on-year, as shown in the table below. Compulsory M3PL does not feature in the table below, as there are no cross-border sales of this product via FPS.

Table 103 : Gross written premiums (GWP) via FPS in Latvia– Motor insurance

Year	Voluntary M3PL (million EUR)	% of total GWP via FPS	Land vehicle (million EUR)	% of total GWP via FPS
2013	62.5	56.4%	16.2	14.6%
2014	84.2	50.0%	21.8	13.0%
2015	74.2	47.2%	23.2	14.8%

Source: Latvian Insurers Association, 2013 to 2015, Premiums written and claims paid by insurance companies

The table below shows the gross claims paid via FPS for the two motor insurance products.

Table 104 : Gross claims paid via FPS in Latvia– Motor insurance

Year	Voluntary MTPL (million EUR)	% of gross claims paid via FPS compared to GWP	Land vehicle (million EUR)	% of gross claims paid via FPS compared to GWP
2013	34.6	55.4%	10.0	61.7%
2014	52.0	61.8%	18.0	82.6%



## Country fiches

Year	Voluntary MTPL (million EUR)	% of gross claims paid via FPS compared to GWP	Land vehicle (million EUR)	% of gross claims paid via FPS compared to GWP
2015	53.7	72.3%	17.7	76.3%

Source: Latvian Insurers Association, 2013 to 2015, Premiums written and claims paid by insurance companies

Between 2013 and 2015, the amount of claims paid increased for voluntary M3PL and land vehicle insurance. Consequently, for voluntary M3PL, the ratio of claims paid on GWP deteriorated in this period, especially in 2015 due to the decrease of GWP. For land vehicle insurance, this ratio deteriorated in 2014 before slightly improving in 2015.

### *Key features of cross-border transactions of car rental insurance products*

No specific information to car rental insurance products was available.

### *Key features of cross-border transactions of add-on insurance products*

No specific information to add-on insurance products was available.

## 4.2. Consumer decision-making in the non-life insurance market- evidence from Latvia

### 4.2.1. Consumer understanding

According to the Latvian Insurers Association, because of the economic crisis, consumers tend to focus on price when purchasing an insurance product, rather than quality. This factor could explain the increase in the share of online sales over the use of brokers and agents. In addition, according to the Latvian Insurers Association, terms and conditions are often neglected by consumers, as they are often long and insurers use technical terms which cannot be understood by most people.

### 4.2.2. Type of problems

The Latvian Insurers Association noted that the main problem consumers face is understanding coverage, which is linked to the complicated nature of terms and conditions. Therefore, information should be more clearly presented, including mainly the basic information necessary to understand the coverage, exclusions and conditions of the non-life insurance product.

One of the major problems identified by FKTK Financial knowledge school is the lack of knowledge on various financial services available on the market. The aim of the school is to provide financial literacy activities in explaining to consumers what are the risks to any individuals or households and how these risks and possible losses can be reduced, as well as to assess the purpose of insurance during economic recession and crisis periods, when households' financial structure is more fragile<sup>411</sup>. The survey carried out in March 2015 among the Latvian residents revealed that less than 40% of the total population had heard about the financial services as bonds, prepaid card services, third party liability insurance, mobile payment user account, investment funds, investment services, and virtual currency<sup>412</sup>.

<sup>411</sup> Financial and Capital Market Commission, 2015, Latvijas iedzīvotāju finanšu pratība. Available at: [http://www.klientuskola.lv/images/Latvijas\\_finansu\\_pratiba\\_FKTF\\_2015.pdf](http://www.klientuskola.lv/images/Latvijas_finansu_pratiba_FKTF_2015.pdf)

<sup>412</sup> Financial and Capital Market Commission, 2014, Latvijas iedzīvotāju finanšu pratības stratēģija 2014-2020. Available at: [http://www.fktk.lv/texts\\_files/FIN\\_STRATEGIJA\\_042014.pdf](http://www.fktk.lv/texts_files/FIN_STRATEGIJA_042014.pdf)

## 4.2.3. Consumer complaints

*Overview of consumer complaints for non-life insurance*

There are three organisations in Latvia dealing with consumer complaints regarding insurance products: the Financial and Capital Market Commission (FCMC or FKTK), the Ombudsman of the Latvian Insurers Association and the Consumer Rights Protection Centre. Complaints can be also directly submitted to the insurers.

When dealing with a complaint, if the FCMC declares that the insurer or insurance intermediary was in breach of the legislation, one of 2 actions can be undertaken: (1) if there is a slight breach, the insurer or intermediary is asked to resolve it within a specific timeframe; or (2) if the legislation is breached several times or is an important breach, the FCMC can sanction or restrict business to prevent future violations.

In addition, the Financial Capital Markets Commission<sup>413</sup> gives its opinion on submissions and complaints regarding breaches of regulatory enactments, through its internal complaints-handling procedure (cf. overview of the national market above).

In case of a breach of the provisions of the Insurance Contract Law regarding terms and conditions of the insurance contract and the terms of decision-making on the insurance indemnity payment, FCMC has the right to impose on the insurer a penalty not exceeding 14,216.17 EUR (Article 109 of the Law on Insurance Companies and Supervision Thereof, Article 6 (2), Article 24.1 and Article 55 of the Insurance Contract Law).

The table below illustrates the number and the type of complaints received and dealt with by the FCMC. Between 2011 and 2014, most complaints regarding non-life insurance products regard the refusal of the insurer to pay out claims, followed by the amount that is paid out, which is often lower than the consumer expected.

Table 105 : Number and type of complaints received by the FCMC (national supervisory authority of Latvia) regarding insurance (life and non-life)

Year	Refusal of insurance indemnity payments	Amount of insurance indemnity payments	Decision delays	Delays in insurance indemnity payments	Complaints of unfounded subrogation	Other	Total
2011	37	16	5	1	1	8	68
2012	18	20	4	8	NA	15	65
2013	12	9	NA	5	8	13	47
2014	19	8	7	3	5	13	55

Source: OECD, 2016, Latvia: Review of the insurance system

The Latvian Insurers Association represents the interests of the insurance industry in Latvia. It has 16 insurance companies and branches of foreign insurers (10 non-life and 6 life) members, and is also a member of Insurance Europe. The Ombudsman of the Latvian Insurers Association<sup>414</sup> handles complaints against a decision made by an insurer authorised to pursue insurance business in the Republic of Latvia regarding the payment of insurance indemnities or refusal to pay insurance indemnities for life insurance,

<sup>413</sup> Financial and Capital Market Commission, 2011, Consumer complaints handling and settlement of disputes regarding financial services within the authority of FCMC and other institutions. Available at: <http://www.fktk.lv/en/commission/about-us/2011-10-19-consumer-complaints-hand.html>

<sup>414</sup> <http://www.laa.lv/en/>

assistance insurance, property insurance, land vehicle insurance as well as accident insurance claims.

The Latvian Insurers Association mentioned during an interview that most complaints relate to motor and property insurance products, which can be explained by the fact that they are the most frequently owned type of insurance products in Latvia. According to the Latvian Insurers Association, an estimation of 50% of complaints are linked to motor insurance products, while 30% are on property, and the remaining 20% on other non-life insurance products.

In addition, customers, who can be regarded as consumers for the purpose of the Consumer Rights Protection Law, are also entitled to submit their complaints to the Consumer Rights Protection Centre<sup>415</sup> regarding violations of the consumer rights protection regulatory provisions in respect of insurance mediation<sup>416</sup>. Receiving and acting on consumer complaints about the violation of consumer rights and enforcing the relevant **legislations is part of the Centre's main activities. The Consumer Rights Protection Centre (CRPC) holds data on the number of consumer complaints received in respect of insurance services (life and non-life) for the period 2011 – 2014. These are detailed in the table below.**

Table 106 : Number and type of complaints received by the Consumer Rights Protection Centre regarding insurance (life and non-life)

Year	Unfair contract terms	Claim pay-outs	Compensation related	Total number of complaints
2011	9	18	0	27
2012	12	18	3	33
2013	6	15	0	21
2014	4	14	0	18

Source: Consumer Rights Protection Centre

As was the case for complaints addressed to the FCMC, most complaints received by the CRPC between 2011 and 2014 regard claim pay-outs.

Regarding other alternative dispute resolution (ADR) systems in place in Latvia, complaints **on motor insurance can be dealt with through the Motor Insurers' Bureau of Latvia**<sup>417</sup>. This procedure takes on average three months, and the complaint is filed and processed in writing.

Finally, consumer complaints are also addressed directly to insurers. According to law, insurers must provide a written response to the complaint 30 days after receiving it, whether it is from the consumer or the authority<sup>418</sup>. However, no data on these have been found.

<sup>415</sup> <http://www.ptac.gov.lv/en>

<sup>416</sup> Financial and Capital Market Commission, 2011, Consumer complaints handling and settlement of disputes regarding financial services within the authority of FCMC and other institutions. Available at: <http://www.fktk.lv/en/commission/about-us/2011-10-19-consumer-complaints-hand.html>

<sup>417</sup> <http://www.ltab.lv>

<sup>418</sup> OECD, 2016, Latvia: Review of the insurance system. Available at: <http://www.oecd.org/pensions/Latvia-insurance-markets-2016.pdf>

### *Overview of consumer complaints for household insurance*

According to the European Commission 2016 Consumer Market Scoreboard<sup>419</sup> and as illustrated in Table 10 of Annex I, 4.3% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 5.5 on a 0-10 range. 76.9% of the respondents having experienced at least one problem complained, including 61.4% to their retailer/provider and 10% to third-party complaint bodies. Thus, the share of Latvian consumers having experienced problems and their level of detriment are below the EU 28 average. The share of respondents who complained after experiencing a problem is very close to the EU 28 average.

### *Overview of consumer complaints for motor insurance*

According to the European Commission 2016 Consumer Market Scoreboard<sup>420</sup> and as illustrated in Table 10 of Annex I, 2.7% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 6.1 on a 0-10 range. 58.8% of the respondents having experienced at least one problem complained, including 39.1% to their retailer/provider and 6.9% to third-party complaint bodies. Thus, the share of Latvian consumers having experienced problems and their level of detriment are below the EU 28 average. The share of respondents who complained after experiencing a problem is much lower than the EU 28 average, with half less complaints to retailers/producers and to third party complaint bodies than the EU 28 average.

### *Overview of consumer complaints for car rental insurance*

No data specific to car rental insurance products were available.

### *Overview of consumer complaints for add-on insurance*

No data specific to insurance products sold as an add-on to other primary products were available.

### *Cross-border consumer complaints*

No data specific to cross-border complaints in Latvia was available.

#### 4.2.4. Access to information

According to the Latvian Insurers Association, finding clear information on non-life insurance products is currently difficult for consumers. The most used medium by consumers is insurance company websites. However, information is also found through the Latvian Insurers Association<sup>421</sup> (for all types of non-life insurance) and the Motor Insurers Bureau<sup>422</sup> (for motor insurance) websites.

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<sup>419</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>420</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>421</sup> <http://www.laa.lv/en/>

<sup>422</sup> <https://www.ltab.lv/en/>

Resorting to insurance brokers is also possible, thus allowing consumers to ask questions to an impartial third party on the product they are trying to purchase.

#### 4.2.5. Switching behaviour

No data were available on switching behaviour in Latvia, as this is not recorded by the national supervisory authority. Therefore, all interviewees were reluctant to give estimations.

#### 4.2.6. Consumer awareness

No consumer campaigns aimed at improving consumer information on non-life insurance products nor large public debates in this regard were identified in Latvia. However, according to the Latvian Insurers Association, insurance companies are proactively taking action to improve the clarity of the terms and conditions, so as to reduce the number of complaints regarding the products, and allow consumers to make more informed decisions. The main incentive behind this initiative is competition on the market. As an example, the Latvian Insurers Association reported that insurance companies are starting to draft basic information sheets, no longer than a page, explaining the most important aspects of the insurance policy in simple terms. They are also developing the use of explanatory cartoons.

In 2015, the Latvian Insurers Association created a cartoon explaining the basis of insurance, and disclosed it on the internet<sup>423</sup>. **In this vein, the Motor Insurers' Bureau of Latvia** also generated a cartoon specific to motor insurance bonus-malus system<sup>424</sup>. These initiatives were well received, particularly by schools which were using the material to inform students about insurance. According to the Latvian Insurers Association, while this action was successful, the number of consumer complaints does not seem to have dropped, indicating that more initiatives must be carried out in an effort to improve consumer awareness and understanding of insurance products. Therefore, the Association is planning on developing clear presentation material for specific types of insurance products (e.g. property, liability, etc.) so as to send out more precise information to suit **consumers' needs. This material will also be aimed at teachers to be used in an educational context for students**, and the Association will collaborate with schools to distribute the material more efficiently.

**In addition, the Motor Insurers' Bureau of Latvia developed a smartphone application specific to M3PL insurance<sup>425</sup> for consumers to learn about M3PL policy, compare various insurers' offers, and keep track of their vehicle damage history.** This initiative was funded through a scheme with contributions from M3PL insurers.

The Latvian Insurers Association improved their guideline material and updated their website in 2015 to make their Ombudsman Service more visible to consumers who wish to complain. In particular, the section on cross-border complaints has been improved to be able to lodge a complaint in English. In addition, the Motor Insurers Bureau run an independent comparison website to avoid conflict of interest and misleading information for consumers.

Furthermore, to provide objective and clearly understandable information on a variety of financial services, FCMC has opened the website "Clients School", where educational materials of the most common financial services can be found. It explains the nature of the risks, including future context and outlines the basic principles of financial sector supervision, the deposit guarantee system and the Latvian supervisory authorities concerned.

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<sup>423</sup> <https://www.youtube.com/watch?v=BGzksP8dz84>

<sup>424</sup> <https://www.youtube.com/watch?v=4GBdBf2rQ0c>

<sup>425</sup> <https://www.ltab.lv/app/>

Agreement on further cooperation in the financial literacy field has been reached with the Ministry of Finance and the State Revenue Service, the Ministry of Economy, the Ministry of Welfare - State Social Insurance Agency and the State Employment Agency, Latvian Bank, the Latvian Association of Local Governments, market participants' professional associations - Latvian Insurance Brokers Association, Latvian professional insurance brokers association and the Latvian cooperative credit unions, as well as with higher education institutions - the Latvian university, Riga Technical university, BA School of Business and the Latvian agricultural university. Strategy development is carried out through interviews with a number of possible financial and economic education partners, including non-governmental organisations for joint activities / projects or information and communication support, to create a financial literacy trainer and advisory group within each county in the region, and promote the development and recognition.

In 2015, the most common decision on financial services is influenced by information about the products (64%), most often it is a branch of the information received, as well as information found on the Internet. In 2014, the overall impact of recommendations was fairly low. However, 42% of the population indicated that their choices were affected **predominantly by friends' / relatives' recommendations, who are not involved in the financial sector.**

**There has been little increase in interest for the various institutions' websites used for educational purposes.** From the survey carried out by the public institutions in the context of developing a common strategy towards financial literacy, it can be concluded that **the materials found in institutions' websites are rarely used for educational purposes. 70% of respondents did not use any of the following institution websites:** Ministry of Finance and the State Revenue Service, the State Social Insurance Agency, various commercial banks, manapensija.lv, the Consumer Rights Protection Centre, the Bank and the Latvian Financial and Capital Market Commission, B school<sup>426</sup>.

#### 4.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from Latvia

Due to the lack of information on specific insurance products, this section will relate to non-life insurance in Latvia in general, with some examples of cases relating to the specific products where relevant.

##### 4.3.1. Factors potentially leading to problems with consumer decision-making

Consumer decision-making in Latvia is highly influenced by the lack of clarity and accessibility of the terms and conditions of insurance products, as well as coverage and exclusions. While the information is easily accessible on the internet, it is not sufficiently developed to allow consumers to make informed decisions on the purchase of insurance products.

However, while insurers and authorities are aware of these issues through the complaint dealing process, there have been no official studies to further identify problems related to consumer decision-making in the non-life insurance sector. Therefore, there are little data available for authorities to fully understand the source of the problems and take targeted action. On the other hand, to develop a competitive advantage, insurance companies have taken action towards the simplification of terms and conditions, but this movement is only recent.

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<sup>426</sup> Financial and Capital Market Commission, 2014. *Latvijas iedzīvotāju finanšu pratības stratēģija 2014-2020*. Available at: [http://www.fktk.lv/texts\\_files/FIN\\_STRATEGIJA\\_042014.pdf](http://www.fktk.lv/texts_files/FIN_STRATEGIJA_042014.pdf)

No information could be found on the monetary detriment consumers experience as a result of problems they encounter in the non-life insurance market or the potential savings that consumers could make if they were to make better insurance purchase decisions. This can be explained by the lack of studies undertaken to assess consumer decision-making issues in Latvia. In addition, no data were available on duplicate ownership of insurance products.

#### 4.3.2. Remedies that have been proposed or put in place

The Latvian Insurers Association has taken action to improve consumer decision-making in the non-life insurance market, through the creation of explanatory material, in the form of cartoons. These were then used in an educational context, through collaboration with schools. Feedback from the schools has been very positive. However, further actions should be carried out to have an impact at a larger scale, and ultimately reduce consumer complaints regarding insurance products.

The Association is currently planning to generate more material on the various aspects which must be considered when purchasing insurance products and making a claim. In addition, the dissemination of this material in schools and universities is planned, through the establishment of a formal cooperation with the aforementioned entities.

## 5. Country Report: Luxembourg

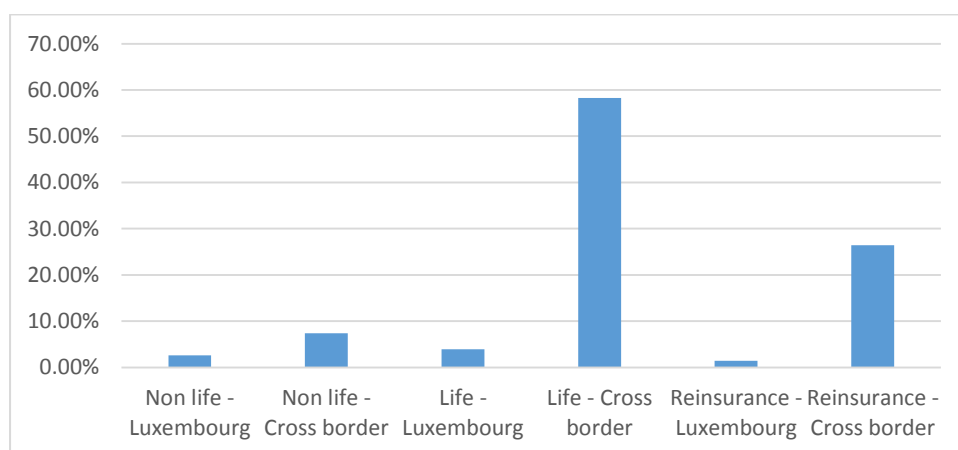
### 5.1. Non-life insurance market

#### 5.1.1. Non-life insurance

##### *Overview of the national market for non-life insurance*

In Luxembourg, the financial and insurance sector is essential to the good economic performance of the country, with a value added share of about 27%, well above other financial centres such as Switzerland or the United Kingdom.<sup>427</sup> In 2015, the aggregate revenues of the insurance sector amounted to 219,010 million EUR (497.75% of the GDP), including 3,200.914 million EUR for non-life insurance (7.27% of the GDP).<sup>428</sup> Within the insurance sector, the share of non-life insurance is the smallest in comparison to life insurance and reinsurance, as shown in the graph below.

Figure 33: Breakdown of premiums by insurance sector and location of the risk in 2015



Source: Commissariat aux Assurances, 2016, Rapport Annuel 2015/2016

In the 1980s, the Luxembourgish insurance market was domestic-based, mainly relied on non-life insurance activities and was dominated by two main national insurance companies (le Foyer and la Luxembourgeoise). However, over the years, the market orientation of the non-life insurance sector changed significantly. In 2015, as the above figure shows, the non-life insurance sector was clearly internationally rather than domestically oriented, with 7.4% of the total premiums being non-life premiums written for the international market, and only 2.6% being non-life premiums written for the domestic market<sup>429</sup>. This is a continuous trend, as in 2014 6.3% of the total premiums were non-life premiums written for the international market while 2.5% were non-life premiums written for the domestic market<sup>430</sup>.

In terms of market concentration, all stakeholders interviewed described the non-life insurance market as concentrated on very few and large insurance companies, in addition to some local ones. In 2012, the biggest non-life insurance companies in terms of GWP were, in decreasing order, Le Foyer (313 million EUR), La Luxembourgeoise (211 million

<sup>427</sup> OECD, 2015, Economic Surveys Luxembourg. Available at: <http://www.oecd.org/eco/surveys/Luxembourg-2015-overview.pdf>

<sup>428</sup> European Commission, 2016, Country Report Luxembourg, Staff Working Document, available at: [http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_luxembourg\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_luxembourg_en.pdf)

<sup>429</sup> Commissariat aux Assurances, 2016, Rapport Annuel 2015/2016. Available at: <http://www.commassu.lu/upload/files/555/rapport%20annuel%202015.pdf>

<sup>430</sup> Commissariat aux Assurances, 2015, Rapport Annuel 2014/2015. Available at: <http://www.commassu.lu/upload/files/482/rapport%20annuel%202014.pdf>



EUR) and AXA (102 million EUR). According to the latest available data, in 2012, the 5 largest non-life insurance companies represented a market share of 89%, the top 10 represented 93% and the top 15 already 100%.<sup>431</sup> As a small country with only 540,000 inhabitants, the customer base in Luxembourg is very small and it is costly for other insurers to get new market shares, as the Association Professionnelle des Courtiers d'Assurance (APCAL - brokers' association) reports. Equally, the offer for insurance in Luxembourg is rather small as it is concentrated between few companies and, according to the Association des Compagnies d'Assurance (ACA - insurance companies' association), as a result, the Luxembourgish insurance market is very rigid, with few new actors and a focus on traditional products such as motor and household products. Only 1.66% of the non-life premiums were written by non-Luxembourgish firms in 2015.

Table 2 of Annex I shows the non-life insurance density in Luxembourg for the period 2011-2014. Density grew steadily from 1,394 EUR in 2011 to 1,432 EUR in 2013. However, a slight drop by 2.4% (excluding health) or 1.6% (including health) was noticed in 2014 compared to 2013.

As illustrated in Table 1 of Annex I, non-life insurance penetration remained stable at 1.7% (excluding health) and 1.8% (including health) between 2011 and 2013, before a slight decrease at 1.6% (excluding health) and 1.7% (including health) in 2014<sup>432</sup>.

The national supervisory authority Commissariat aux Assurances (CAA) only reports on the number of contracts in the life insurance sector. There are no other sources to obtain this information. Nonetheless, the following table provides an overview of the number of companies operating in the non-life insurance sector over the period 2011-2015.

Table 107: Number of insurance companies operating in the non-life sector

Insurance companies/Legal forms	2011	2012	2013	2014	2015
Limited to non-life insurance activities (total)	39	42	44	44	44
<i>Under Luxembourgish law</i>	29	31	34	34	34
<i>Foreign branches</i>	10	11	10	10	10
Operating in both life and non-life sectors	3	3	3	3	3
<i>Foreign branches</i>	3	3	3	3	3
Authorised to operate in LU via FPS (total)	581	558	559	561	565
<i>Only non-life</i>	528	505	504	506	509
<i>Both</i>	53	53	55	55	56
LU companies authorised to operate via FE	N/A	N/A	N/A	N/A	9
LU companies authorised to operate via FPS					

<sup>431</sup> European Insurance Industry database, 2016, Structural data. Available at: <http://www.insuranceurope.eu/european-insurance-industry-database>

<sup>432</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceurope.eu/european-insurance-industry-database>

## Country fiches

Insurance companies/ <i>Legal forms</i>	2011	2012	2013	2014	2015
	N/A	N/A	N/A	N/A	32

Source: Commissariat aux Assurances, 2015, Rapport Annuel 2014/2015

Regarding the regulatory environment in Luxembourg, the insurance sector is governed by the Law of 7 December 2015<sup>433</sup> (referred to as “**Insurance Sector Law**”) replacing the Law of 6 December 1991<sup>434</sup>, which defines the roles and obligations of the insurers and the responsibilities of the national supervisory authority (Commissariat aux Assurances – CAA). In principle, it is up to policy holders to decide to subscribe to insurance policies. However, certain compulsory policies exist for certain professions (B2B) or for specific risks relating to humans and the environment (B2C).

The most common compulsory insurance in Luxembourg is the insurance of land motor vehicles as governed by the Law of 16 April 2003<sup>435</sup> relating to compulsory insurance against civil liability in respect of the use of motor vehicles, as amended.<sup>436</sup>

The Law on Contract<sup>437</sup> defines the information that the insurer must communicate to the client before concluding a contract, such as the risks covered and their limitations/exclusions, the duration of the contract and the conditions of contract termination, the modalities of premium payment, and the procedure of complaint handling. This information must also be included in the insurance contract (Article 16). Each year, the insurer must inform the client of the annual due date for the premium payment and of the conditions of termination. In case of pre-signed contracts, the consumer can cancel the contract within 30 days after receiving the pre-signed policy, and this decision takes effect immediately (Article 9). The Law on Contract facilitates the termination of insurance contracts on both sides (Article 38). Previously there was a notice period of 3 months to terminate a contract, but since the latest amendment of the Law on Contract of 21 December 2012<sup>438</sup> it is 60 days for companies (B2B) and 30 days for direct customers (B2C). The termination of the contract takes effect one month after notification of this decision. The contract must also indicate that the duration of tacit renewal does not exceed one year. For distance sales (via phone or online), the consumer can cancel the contract within 14 days, without cause and without penalty (Article 62-3), except for travel and luggage insurance or other contracts inferior to one month.

There are also certain regulations for intermediaries. According to a representative from APCAL, the insolvency directive<sup>439</sup> applies for tied agents and direct sales. Brokers have to have a minimum financial base, they must have 125,000 EUR of equity, while agents are not submitted to this rule.

<sup>433</sup> Loi du 7 décembre 2015 sur le secteur des assurances (version coordonnée du 1 juin 2016). Available at: [http://www.commassu.lu/upload/files/519/Loi\\_SecteurAssurances\\_2015-12-07%20coord.%202016-06-01.pdf](http://www.commassu.lu/upload/files/519/Loi_SecteurAssurances_2015-12-07%20coord.%202016-06-01.pdf)

<sup>434</sup> Loi modifiée du 6 décembre 1991 sur le secteur des assurances. Available at: [http://www.commassu.lu/upload/files/163/Loi\\_SecteurAssurances\\_1991-12-06\\_coord\\_2013-07-12.pdf](http://www.commassu.lu/upload/files/163/Loi_SecteurAssurances_1991-12-06_coord_2013-07-12.pdf)

<sup>435</sup> Loi du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile en matière de véhicules automoteurs, as amended 21st December 2012. Available at: [http://www.commassu.lu/upload/files/4/Loi\\_RCVTA\\_2003-04-16\\_coord\\_2012-12-21.pdf](http://www.commassu.lu/upload/files/4/Loi_RCVTA_2003-04-16_coord_2012-12-21.pdf)

<sup>436</sup> The Insurance and Reinsurance Law Review, 2014. Available at: [http://www.ehp.lu/uploads/media/Insurance\\_and\\_Reinsurance\\_Law\\_Review\\_Luxembourg\\_2014.pdf](http://www.ehp.lu/uploads/media/Insurance_and_Reinsurance_Law_Review_Luxembourg_2014.pdf)

<sup>437</sup> Loi du 27 juillet 1997 sur le contrat d'assurance, as amended 1st January 2016, available at: [http://www.commassu.lu/upload/files/3/Loi\\_ContratAssurance\\_1997-07-27\\_coord\\_2016-01-01.pdf](http://www.commassu.lu/upload/files/3/Loi_ContratAssurance_1997-07-27_coord_2016-01-01.pdf)

<sup>438</sup> Loi du 21 décembre 2012 portant modification de la loi modifiée du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile en matière de véhicules automoteurs la loi modifiée du 27 juillet 1997 sur le contrat d'assurance. Available at: <http://www.legilux.public.lu/leg/a/archives/2012/0276/a276.pdf>

<sup>439</sup> Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0138&from=EN>

**In addition, the CAA's circular letter<sup>440</sup> issued in 2003 gives instructions as to how insurance companies should report on their annual activities to the CAA. For the non-life insurance sector, statistics are therefore available based on the CAA's set classification of the various non-life branches (including M3PL, insurance against fire and natural elements for simple property risks, assistance insurance).**

According to Insurance Europe<sup>441</sup>, the insurer is liable for taxation. The tax basis includes costs and commissions. To calculate parafiscal tax, the premium tax is not included. The event generating the tax is the payment of the premium. There is a fire premium tax of 4% and a fire brigade tax of 6%. All other insurance categories are submitted to a tax of 4%. If the insurer is not established in Luxembourg and not established in the European Economic Area (EEA), the insurer is liable for fire brigade tax (6%) and the policyholder is liable for premium tax (4%).

Interviewees in the stakeholder consultation were asked to comment on the expected impact of the Insurance Distribution Directive (IDD), which Luxembourg is preparing to transpose. According to a representative of the national supervisory authority CAA, the IDD will not create new offer in terms of nature and quality of policies and insurance products. The CCA representative considered that agents are well regulated by agencies and they have to pass an exam at the CAA. In contrast, a representative of the ACA argued differently that the transposition of the IDD will bring changes in the national rules for intermediation and will enhance information to consumers.

#### *Overview of premiums*

In terms of premium volumes and value, the Insurance Europe database provides data on the total direct non-life premiums written by domestic companies for the period 2011-2014, presented in Table 5 of Annex I. Including health, premiums grew slightly by 0.7% in 2014 in comparison to 2013. Excluding health, premiums remained relatively stagnant in 2014 with a -0.1% decrease in comparison to 2013, even though they grew in previous years.

As can be seen in the table below, more detailed data is supplied by the CAA in its annual reports, which report on the gross written premiums (GWP) and earned premiums for the non-life insurance sector in general.

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<sup>440</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)

<sup>441</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.insuranceeurope.eu/indirect-taxation-insurance-contracts-europe-2016>

Table 108: Gross written premiums and earned premiums in Luxembourg (million EUR, rounded figures)<sup>442</sup>

Premium	2011	2012	2013	2014	2015
Gross written premium <sup>443</sup>	2,414	2,718	3,047	3,171	3,440
Earned premium <sup>444</sup>	2,333	2,555	2,927	2,897	3,191

Source: Commissariat aux Assurances, 2016, Rapport Annuel 2015/2016

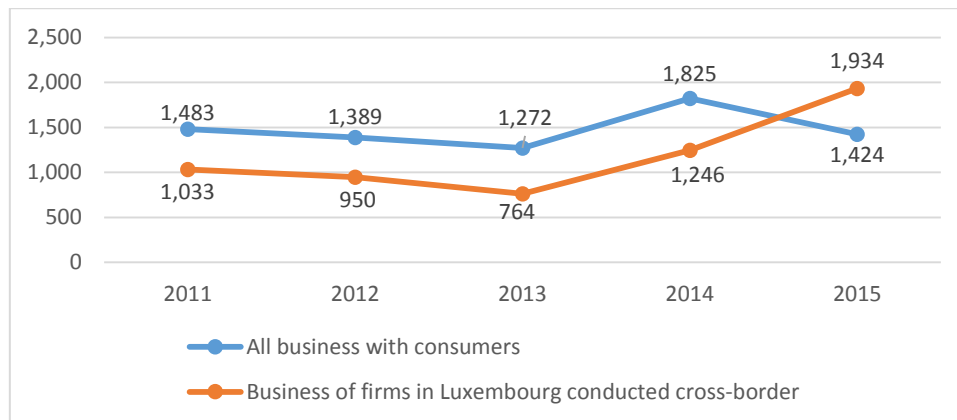
Overall, the year-on-year growth from 2013 to 2014 has been lower than previous years for both gross written premiums and earned premiums. Nonetheless, the non-life insurance sector showed strong resilience to the difficult macro-economic climate of the previous years. According to the insurance company *La Luxembourgeoise*, the non-life insurance market is expected to grow even more, especially for individual consumers<sup>445</sup>.

#### Overview of data on claims

Even though Insurance Europe reports on the number of claims for the non-life sector in the different EU countries, no data was reported for Luxembourg. Instead, Table 7 of Annex I reports the gross claims expenditure for non-life insurance in Luxembourg, excluding health, which grew slightly in 2013 compared to 2012.

National statistics provide information on the total claims paid<sup>446</sup> for the non-life insurance sector in general, as shown in the figure below. Total claims paid for all business with consumers and business of firms in Luxembourg experienced a slight decrease over the period 2011-2013 but grew in 2014, before decreasing again in 2015. No information could be found on the average claims paid.

Figure 34 : Total claims paid for non-life insurance in Luxembourg (million EUR)



Source: CAA, 2016, Annex to Annual Report 2015/2016

<sup>442</sup> These figures include all business with consumers, including cross-border activities.

<sup>443</sup> Translated from French: 'primes émises brutes'

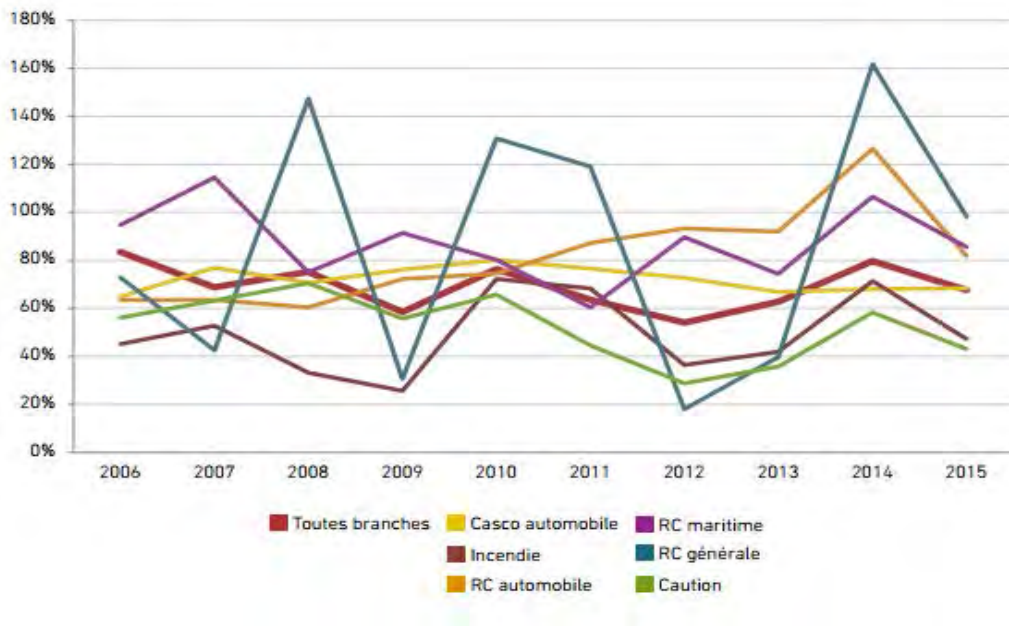
<sup>444</sup> Translated from French: 'primes acquises'

<sup>445</sup> L'argus de l'assurance, 2007, Le Luxembourg rayonne sur l'Europe. Available at: <http://www.argusdelassurance.com/dossier/le-luxembourg-rayonne-sur-l-europe.20872>

<sup>446</sup> Translated from the French: 'Sinistres réglés'

In terms of ratios, the figure below shows the evolution of claims ratios (equal to gross claims expenditure as a percentage of total gross earned premiums) over time in the main non-life insurance branches. When looking at the overall claims ratio for all branches (red line), we can observe a stabilisation between 60 and 80% during 2011-2015 with some fluctuations. The claims ratio for motor casco has followed the same trend in this period, while the claims ratio for motor third party liability has constantly surged up to more than 120% in 2014, before decreasing to 80% in 2015. The claims ratio for fire, related to household insurance, fluctuated importantly between 40% and 70% in the 2011-2015 period.

Figure 35 : Claims ratios for the main branches of the non-life insurance sector in Luxembourg



Note: red=all branches; light yellow=motor casco; dark purple=fire; dark yellow=motor civil liability; light purple= maritime civil liability; blue=general civil liability; green=caution  
 Source: Commissariat aux Assurances, 2016, Rapport Annuel 2015/2016

The combined ratio for non-life domestic operations increased between 2011 and 2013, before decreasing in 2014 and 2015. For cross-border operations, the non-life combined ratio decreased considerably in 2012 before increasing steadily in 2013 and 2014 and receding in 2015 again.

Table 109: Combined ratio for non-life insurance

Year	2011	2012	2013	2014	2015
Operations in Luxembourg	81.21%	85.11%	92.47%	84.43%	82.69%
Operations cross-border	85.33%	69.71%	81.07%	113.08%	97.36%

Source: CAA, 2016, Annex to Annual Report 2015/2016

No data on excess for non-life insurance in general could be found. Specific information related to motor insurance excess is presented in the relevant section.

### 5.1.2. Household insurance

#### *Overview of household insurance*

In Luxembourg, the household insurance for individuals is **defined as 'assurance habitation'** (home insurance) and includes a set of benefits that the insurer offers either as a package or separately. In general, large insurance companies would always include the following basic risks in the insurance coverage<sup>447</sup>:

- Fire (usually covers all material damage caused to the building and its contents as a result of fire);
- Water damage (usually covers material damage inside the building caused by water);
- Theft (usually covers the content of the insured property against loss or damage following a theft or attempted theft);
- Glass breakage (usually covers material damage caused by breakage of windows inside the building);
- Storm (usually covers material damage directly caused by the storm on the building).

In Luxembourg, the law of 21 September 2006<sup>448</sup> and the Civil Code indicate that the tenant has an obligation to subscribe to a household insurance against the rental risks. Moreover, the civil liability in respect of third parties described in articles 1382 to 1386 of the Civil Code<sup>449</sup> means that the homeowner is responsible for any damage caused by the **insured's building, the land on which it stands, the furniture therein, the obstruction of pavements, the failure to remove snow, glass or black ice, elevators and motorised lifts**<sup>450</sup>. While it is not compulsory, it is recommended that the homeowner also subscribes to a property civil liability insurance that covers the insured against the aforementioned risks.

Additional coverage that covers not only the dwelling or apartment might include electrical damage, extensions (e.g. garage, temporary rehousing, student accommodations etc.), or a number of ancillary risks dealing with both furniture and personal belongings, even across the world.<sup>451</sup> Overall, the coverage is very large and comprehensive and exclusions will depend on the contract agreed with the insurer.

In terms of excess, some insurers apply an excess that varies between 10 and 15% on compensation paid for damages caused by storm, while others disregard this excess.<sup>452</sup>

#### *Overview of the national market for household insurance*

Insurance Europe reports on the following data regarding the density and penetration of **what is defined under 'property insurance'**<sup>453</sup> for Luxembourg. Property density increased over the period 2011-2013 but decreased in 2014.

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<sup>447</sup> Assurances.lu, 2016, Home insurance. Available at: <http://www.assurances.lu/particuliers/assurance-habitation>

<sup>448</sup> **Loi du 21 septembre 2006 sur le bail à usage d'habitation et modifiant certaines dispositions du Code civil.**  
Available at: <http://www.legilux.public.lu/leg/a/archives/2006/0175/a175.pdf>

<sup>449</sup> Code Civil. Available at:  
[http://www.legilux.public.lu/leg/textescoordonnes/codes/code\\_civil/CodeCivill\\_PageAccueil.pdf](http://www.legilux.public.lu/leg/textescoordonnes/codes/code_civil/CodeCivill_PageAccueil.pdf)

<sup>450</sup> Assurances.lu, 2016, Home insurance. Available at: <http://www.assurances.lu/en/individuals/home-insurance>

<sup>451</sup> Assurances.lu, 2016, Home insurance. Available at: <http://www.assurances.lu/en/individuals/home-insurance>

<sup>452</sup> Assurances.lu, 2016, Home Insurance. Available at: <http://www.assurances.lu/en/individuals/home-insurance>

<sup>453</sup> Property insurance provides protection against risks to property such as fire, theft and some weather damage. It includes specialised forms of insurance, such as fire insurance, flood insurance, earthquake insurance or home insurance.

Table 110: Property insurance density and penetration in Luxembourg

	2011	2012	2013	2014
Insurance density (EUR)	242	250	251	220
Insurance penetration (%)	0.3	0.3	0.3	0.2

Source: Insurance Europe, 2016, European Insurance Industry Database

### Overview of premiums

Regarding the premium volumes and value for household insurance, Insurance Europe reports on the total direct premiums written on the Luxembourgish domestic market for property insurance. Here again, total direct premiums decreased in 2014 in comparison to the slight increase of previous years.

Table 111: Total direct premiums written on the domestic market for property insurance in Luxembourg (million EUR)

Total direct premiums	2011	2012	2013	2014
Property insurance	124	131	135	121

Source: Insurance Europe, 2016, European Insurance Industry Database

National statistics provided by the CAA, taking into account all business with consumers (including cross-border), differentiate between different branches of the non-life sector following the Circular Letter 03/2<sup>454</sup> issued in 2003. Out of these, only the reported **statistics for the branch 'fire and other natural elements for simple property risks' cover the category 'building insurance' relevant for this study.** As the next table shows, GWP for insurance against fire and other natural elements for simple property risks experienced a large increase by 6.76% from 2012 to 2013 but decreased by 2.31% in 2014, before increasing again by 3.58% in 2015.

Table 112: GWP and year-on-year growth for insurance against 'fire and other natural elements for simple household risks' in Luxembourg

Year	2011	2012	2013	2014	2015
GWP (in million EUR)	61.57	62.00	66.20	64.67	66.98
Year-on-year growth of GWP (in %)	1.49	0.71	6.76	-2.31	3.58

Source: CAA, 2016, Annex to Annual Report 2015/2016

<sup>454</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)



## Country fiches

The average earned premium per insured for household insurance against fire and natural disasters was of 117 EUR in 2011, 115 EUR in 2012, 120 EUR in 2013, 114 EUR in 2014 and 115 EUR in 2015<sup>455</sup>.

No data was available on the total earned premiums, the measure on the variation in the level of premiums paid and the level of distribution/dispersion of premium levels.

### Overview of data on claims

Insurance Europe provides some data on the gross claims expenditure for property insurance in Luxembourg. The table below shows that gross claims expenditure and the amount paid by the insurer differ year on year, with a sharp increase of claims paid reported in 2014.

Overall, the most frequent claims are reported to be for theft, electrical damages and damages to the household (e.g. furniture).<sup>456</sup>

Table 113: Gross claims expenditure for property insurance in Luxembourg (million EUR)

	2011	2012	2013	2014
Gross claims expenditure	68	52	52	N/A
<i>Of which paid</i>	53	45	45	125
<i>Of which change in the provision of claims</i>	15	7	7	N/A

Source: Insurance Europe, 2016, European Insurance Industry Database

National statistics report data on claims for the product category 'fire and other natural elements for simple property risks'. The next table below shows that total claims paid decreased slightly from 2011 to 2013 but increased in 2014, before decreasing in 2015. In terms of ratios, a sharp increase can again be reported for 2014, in comparison to previous years, before a reduction in 2015.

Table 114: Overview of claims for 'fire and other natural elements for simple property risks' in Luxembourg

	2011	2012	2013	2014	2015
Total claims paid (in million EUR)	24.7	23.9	21.6	29.2	26.5
Claims ratio (in %)	37.23	29.89	30.57	50.39	42.48

Source: CAA, 2016, Annex to Annual Report 2015/2016

Combined ratios are not made explicit for each category of product in the statistics of CAA.

<sup>455</sup> CAA, 2016, Annex to Annual Report 2015/2016. Available at: <http://www.commassu.lu/upload/files/555/rapport%20annuel%202015%20-%20annexe.pdf>

<sup>456</sup> atHome.lu, 2016. Available at: <http://www.athome.lu/blog/votre-habitation-est-elle-bien-assuree>



### 5.1.3. Motor insurance

#### *Overview of the selected products*

The insurance of land motor vehicles as governed by the Law of 16 April 2003<sup>457</sup> is compulsory (mandatory insurance against third party liability). Furthermore, Luxembourg established a Luxembourgish Green Card Bureau ('bureau luxembourgeois') that gathers all M3PL insurance companies offering such cover and authorised to operate within Luxembourg. It is exclusively financed from members' contributions and its principal aim consists in the indemnification of victims, in accordance with the legal provisions enforced in Luxembourg, suffering damages caused in Luxembourg by vehicles registered abroad.<sup>458</sup> In addition, there is also a Guarantee Fund<sup>459</sup> ("Fond de Garantie Automobile"). It is mandatory for all insurance companies authorised to offer M3PL insurance to belong to the automobile guarantee fund, which is governed by the Law of 16<sup>th</sup> April 2003. The guarantee fund compensates for both material damages and physical injuries with the exception of cases with unidentified vehicles.<sup>460</sup>

**Motor insurance in Luxembourg is defined as 'assurance véhicule' (car insurance) and covers the vehicle named in the policy schedule including everything attached to it (e.g. caravan). It is therefore the car and not the driver that is insured. The main types of motor insurance products in Luxembourg are the following<sup>461</sup>:**

- The Motor Third Party Liability insurance ('assurance responsabilité civile'), which is compulsory in Luxembourg<sup>462</sup> and covers for damages caused by the insured vehicle. Injuries and material damages suffered by the driver at fault are excluded; while injuries suffered by their family members are covered by its own insurance. The extension of the legal cover ('garantie défense-recours') through the third-party liability is two-fold: it defends the insured in civil and criminal proceedings and makes it possible to bring action against the person liable in the event of an accident<sup>463</sup>.
- Part Comprehensive ('Tiers Personnes'): in this case the coverage also includes minimal guarantees such as third party liability, fire and theft.
- Fully Comprehensive ('tous risques' or 'casco'): here the coverage includes everything, meaning judicial protection, fire, theft, glass breakage, material damage to the car, damage caused by an animal and car replacement. Insurance companies may also offer specific insurance for drivers ('assurance conducteur') in case of injury or invalidity, whether or not he/she is responsible for the accident.

The cost of vehicle insurance varies from one insurance company to another and will likely take into account several factors such as the model of the vehicle, its age, the driver's history and his/her age.

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<sup>457</sup> Loi du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile en matière de véhicules automoteurs, telle qu'elle a été modifiée. Available at: [http://www.commassu.lu/upload/files/4/Loi\\_RCVTA\\_2003-04-16\\_coord\\_2012-12-21.pdf](http://www.commassu.lu/upload/files/4/Loi_RCVTA_2003-04-16_coord_2012-12-21.pdf)

<sup>458</sup> Bureau Luxembourgeois. Available at : <http://www.bureau-luxembourgeois.lu/>

<sup>459</sup> Fond de Garantie Automobile. Available at: <http://www.fga.lu/>

<sup>460</sup> Note: compensation for material damages alone will not be considered in cases where the vehicle in question could not be identified.

<sup>461</sup> Angloinfo Luxembourg: Vehicle Insurance Available at: <https://www.angloinfo.com/luxembourg/how-to/page/luxembourg-transport-vehicle-ownership-vehicle-insurance>

<sup>462</sup> Loi du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile en matière de véhicules automoteurs. Available at: <http://www.legilux.public.lu/rgl/2003/A/3282/1.html>

<sup>463</sup> Assurances.lu : Vehicle Insurance, available at : <http://www.assurances.lu/en/individuals/vehicle-insurance>

For the compulsory motor third party liability insurance, the minimum amount of cover for claims is unlimited for personal injury and damage to property<sup>464</sup>. However, the coverage can be limited to 2,500,000 EUR per claim for material damage caused by fire, explosion or environmental pollution<sup>465</sup>.

The car insurance in Luxembourg also follows a system of no-claims bonus, known as the **'Bonus-Malus' system: annual rates increase if a claim is made when an accident is the driver's fault** and, if the driver has no accidents the rates will decrease.<sup>466</sup> In Luxembourg, this system is regulated by law<sup>467</sup>, in contrast to the Bonus-Malus system in other EU countries such as Germany, Spain or the UK.<sup>468</sup>

The Bonus-Malus system works as follows<sup>469</sup>: all new drivers start at a premium level with a certain number of points corresponding to a full price premium. Every year, the cost of the insurance will be adjusted according to the following:

- In the event of a claim, the level increases by 3 points;
- If there are no claims made in the year, the level will decrease by 1 point

The maximum amount of no claims bonuses is 55%. Also, a no claims bonus accumulated abroad can be transferred to a Luxembourgish insurance company if the person has a certificate from the insurance company that proves and reports on this amount.

The Regulation of 11 November 2003 related to motor insurance<sup>470</sup> stipulates that when an excess is foreseen in the insurance contract, it cannot be superior to 1500 EUR per claim if the insured is a physic person and to 6000 EUR if the insured is a moral person.

Excess does not apply to M3PL. For **"casco" insurance**, excess can vary from insurer to insurer. For instance, assurances.lu reports on the following examples of excess<sup>471</sup>:

- Excess for a recently acquired license: 2.5% of the list price of the vehicle, depending on the minimum and maximum applied by the insurer;
- Excess for alcohol abuse: 2.5% of the list price of the vehicle, depending on the minimum and maximum applied by the insurer.

Excess for young drivers (considered to have their license for less than 2 years) may vary. Excess will apply when a young driver with motor third party liability cover is involved in an accident or these can be waived by an additional premium.

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<sup>464</sup> EC expert group on European insurance contracts, 2013, Discussion paper: motor insurance. Available at: [http://ec.europa.eu/justice/contract/files/expert\\_groups/discussion\\_paper\\_vii\\_-\\_motor\\_insurance\\_-\\_12-13\\_november\\_meeting\\_en.pdf](http://ec.europa.eu/justice/contract/files/expert_groups/discussion_paper_vii_-_motor_insurance_-_12-13_november_meeting_en.pdf)

<sup>465</sup> **Loi du 21 décembre 2012 portant modification de la loi modifiée du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile en matière de véhicules automoteurs et de la loi modifiée du 27 juillet 1997 sur le contrat d'assurance.** Available at: <http://www.legilux.public.lu/leg/a/archives/2012/0276/a276.pdf>

<sup>466</sup> Angloinfo Luxembourg: Vehicle Insurance. Available at: <https://www.angloinfo.com/luxembourg/how-to/page/luxembourg-transport-vehicle-ownership-vehicle-insurance>

<sup>467</sup> **Loi du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile en matière de véhicules automoteurs.** Available at: <http://www.legilux.public.lu/rgl/2003/A/3282/1.html>

<sup>468</sup> European Commission, 2014, Final Report of the Commission Expert Group on European Insurance Contract Law. Available at: [http://ec.europa.eu/justice/contract/files/expert\\_groups/insurance/final\\_report.pdf](http://ec.europa.eu/justice/contract/files/expert_groups/insurance/final_report.pdf)

<sup>469</sup> Ibid.

<sup>470</sup> Règlement grand-ducal du 11 novembre 2003 pris en exécution de la loi du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile en matière de véhicules automoteurs. Available at: <http://www.legilux.public.lu/rgl/2003/A/3282/1.html>

<sup>471</sup> Assurances.lu: Assurances Auto FAQ. Available at: <http://www.assurances.lu/particuliers/assurance-auto-questions-frequentes>

*Overview of the national market*

Interviewees declared that the size of the market is likely to be small and concentrated on the five main insurance companies (Foyer, La Luxembourgeoise, Axa Luxembourg, Swiss Re, Baloise Assurances).

Insurance Europe collected data with regard to density (premiums per insured) and penetration (premiums to GDP) of motor insurance. In Luxembourg, density for motor insurance grew slightly from 2011 to 2013 but decreased in 2014.

Table 115: Overview of the national market for motor insurance in Luxembourg

Year	2011	2012	2013	2014
Motor density (EUR)	242	250	251	220
Motor penetration (%)	0.3%	0.3%	0.3%	0.2%

Source: Insurance Europe, 2016, European Insurance Industry Database

*Overview of premiums*

The Table below shows the total direct premiums written on the Luxemburgish domestic market for motor insurance in Luxembourg. These increased slightly throughout the 2011 - 2014 period.

Table 116: Total direct premiums written on domestic market for motor insurance in Luxembourg (million EUR)

	2011	2012	2013	2014
Total direct premiums written	357	373	389	403

Source: Insurance Europe, 2016, European Insurance Industry Database

**Data on 'Motor Third Party Liability Insurance' are collected by the CAA. While no data were available on the earned premiums, the table below reports on the gross written premiums for motor third party liability insurance. GWP grew in 2011, 2013 and 2015. However, they decreased by 3.34% in 2012 and by 8.45% in 2014.**

Table 117: Overview of premiums for Motor Third Party Liability Insurance in Luxembourg

Year	2011	2012	2013	2014	2015
GWP (in million EUR)	186.7	180.5	192.8	176.5	184.3
Year-on-year growth of GWP (in %)	6.68	-3.34	6.83	-8.45	4.42

Source: CAA, 2016, Annex to Annual Report 2015/2016

The table below displays the average earned premium per insured for motor insurance<sup>472</sup>. After a rise in 2012, it decreased steadily the following years.

Table 118: Earned premiums per insured for motor insurance in Luxembourg

Year	2011	2012	2013	2014	2015
Earned premium per insured (EUR)	274	276	275	269	271

Source: CAA, 2016, Annex to Annual Report 2015/2016

#### *Overview of data on claims*

A higher number of claims are reported for the collisions between two vehicles due to speeding, alcohol abuse and refusal to give way as well as vehicle theft<sup>473</sup>.

Insurance Europe provides data on the gross claims expenditure for motor insurance in Luxembourg, as presented in the following table. Overall, the number of claims paid differed each year, even though the numbers reported were higher in 2013 and 2014, in comparison to the two previous years. This can be associated with an increase in the number of vehicle thefts by 5.1% in Luxembourg in 2013 in comparison to 2012, as reported by the ACA.<sup>474</sup> According to Insurance Europe data, the total amount of claims paid and of change in the provisions of claims exceeded gross claims expenditure between 2011 and 2013, however no explanation could be found. Noteworthy is also that claims paid exceeded earned premiums both in 2013 and 2014.

Table 119: Overview of data on claims for motor insurance in Luxembourg

Claims	2011	2012	2013	2014
Gross claims expenditure	239	227	227	N/A
<i>Of which paid</i>	239	227	279	282
<i>Of which change in the provision of claims</i>	17	20	20	20

Source: Insurance Europe, 2016, European Insurance Industry Database

For Motor Third Party Liability Insurance, national statistics report on total claims paid and claims ratios. As shown in the next table, total claims paid for motor third party liability insurance in Luxembourg dropped significantly in 2014. Likewise, the claims ratio was higher in 2014 than in previous years.

<sup>472</sup> Translation of French: "Primes encaissées au Luxembourg par tête d'habitant »

<sup>473</sup> Information extracted from <http://www.assurances.lu/>

<sup>474</sup> ACA, 2014, Conférence de Presse – 20 Octobre 2014. Available at: [http://www.aca.lu/wp-content/uploads/Communiqu%C3%A9-de-Presse\\_20.10.2014.pdf](http://www.aca.lu/wp-content/uploads/Communiqu%C3%A9-de-Presse_20.10.2014.pdf)

Table 120: Overview of data on claims paid and claims ratio for M3PL Insurance in Luxembourg

Motor Third Party Liability Insurance	2011	2012	2013	2014	2015
Total claims paid (in million EUR)	136.5	131.5	142.8	67.6	190.0
Claims ratio (in %)	87.16	93.28	91.98	126.52	81.87

Source: CAA, 2016, Annex to Annual Report 2015/2016

Combined ratios are not made explicit for each category of product in the statistics of CAA.

#### 5.1.4. Car rental insurance

##### *Overview of the selected products*

All car rental insurance contracts include third party liability and fire insurance, which is mandatory in Luxembourg<sup>475</sup>. Third party liability insurance offers unlimited coverage in case of damage or injury to people or property outside of the rental car, with an excess of approximately 135 EUR<sup>476</sup>.

Additional and optional coverage can include a Collision Damage Waiver (CDW) and theft protection waiver. In case of damage on the vehicle or of theft, the CDW and theft protection waiver reduce the excess to a range between 650 EUR to 1425 EUR<sup>477</sup>, depending on the vehicle type. The Super CDW and super theft protection waiver cover reduce the excess to zero in case of damage or theft of the vehicle. The Glass Breakage protection covers all costs for damage to the windshield or windows of the vehicle. Personal Accident Insurance (PAI) is another optional warranty, which covers the driver in case of accident, in particular the costs related to physical damage and medical assistance. The super Personal Accident Insurance (SPAI) covers a higher amount of the PAI costs, as well as luggage protection and emergency transport.

Car rental insurance regulations can also include restrictions on luxury car categories and on travel in certain countries<sup>478</sup>.

<sup>475</sup> **Loi du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile** en matière de véhicules automoteurs ; Art. 11 Règlement grand-ducal du 11 novembre 2003 pris en exécution de la loi du 16 avril 2003 relative à l'assurance obligatoire de la responsabilité civile en matière de véhicules automoteurs. Available at: <http://www.legilux.public.lu/rgl/2003/A/3282/1.html>

<sup>476</sup> 150 US Dollars according to AutoEurope. Available at: <http://www.autoeurope.com/go/driving-information/luxembourg/>

<sup>477</sup> Auto Europe: Luxembourg – Car Rental and Driving Information. Available at: <http://www.autoeurope.com/go/driving-information/luxembourg/>

<sup>478</sup> Cars are not allowed into the following countries: Albania, Bosnia, Belarus, Bulgaria, Czech Republic, Croatia, Estonia, Greece, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Russia, Slovakia, Slovenia, Turkey, Ukraine and Yugoslavia. Luxury cars are not allowed into Italy. Information available at: <http://www.autoeurope.com/go/driving-information/luxembourg/>

### *Overview of the national market*

Based on the **CAA's circular letter**<sup>479</sup> that gives reporting instruction for insurance companies, no national statistics are available for car rental insurance. No other information could be found to fill this gap.

### *Overview of premiums*

Based on the **CAA's circular letter**<sup>480</sup> on the classification of non-life branches and that gives reporting instruction for insurance companies, no national statistics are available for car rental insurance. No other information could be found to fill this gap.

### *Overview of data on claims*

Based on the **CAA's circular letter**<sup>481</sup> on the classification of non-life branches that gives reporting instruction for insurance companies, no national statistics are available for car rental insurance. No other information could be found to fill this gap.

## 5.1.5. Insurance products sold as an add-on to other primary products

### *Overview of the selected products*

In Luxembourg, insurance companies offer travel insurance coverage for several risks either as a package or separately. Insurance coverage will usually include<sup>482</sup>:

- Travel cancellation: guarantees the reimbursement of a certain amount of the **travel, if the reasons for cancellation are unforeseeable and beyond one's control.**
- Multi-risk insurance: in this case, the insurance coverage can be large and comprehensive. It can include both travel assistance (repatriation, reimbursement of medical expenses abroad etc.) and travel insurance (travel cancellation, lost or stolen luggage etc.).

In general, travel insurance will be bought from an insurer, a specialist organisation, a travel agent or an international credit card. For instance, holders of a MasterCard Gold will be covered for certain travel insurance guarantees such as delay in the delivery of luggage or travel incident. In addition, holders of certain types of Visa Cards might also be insured for guarantees such as delays in the flight.<sup>483</sup> However the level of reimbursement is often inferior to other travel insurances bought for instance from an insurer or travel agent.

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<sup>479</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)

<sup>480</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)

<sup>481</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)

<sup>482</sup> Union Luxembourgeoise des Consommateurs (ULC), 2015, Le droit des consommateurs. Available at: <https://www.ulc.lu/fr/Konsument/Detail.asp?T=6&D=descr&ID=198>

<sup>483</sup> Banque de Luxembourg, 2014, **conditions générales d'assurances et assistance** – personne physique. Available at: <https://www.banquedeluxembourg.com/BLPortlets-portlet/bankServlet/GedGetFileServiceSvt/pdf/Conditions%20g%C3%A9n%C3%A9rales%20assurances%20et%20assistance%20-%20FR%20-%2016.02.2016.pdf?docname=Conditions+g%C3%A9n%C3%A9rales+assurances+et+assistance&lang=FR&typeRequest=getFileFast&documentId=C6554C4B7215D6DA6305980533A8BE9ACD38A6044FE4931F12883BC4AC0DA882&wmDocName=>

As regards extended warranty, according to Article L2012-6 of the Consumption Code<sup>484</sup>, the conformity period is 2 years, meaning that a product can be repaired, exchanged or refunded for free within two years in case of non-conformity. An extended warranty can be sold to extend the provisions of the legal warranty beyond 2 years. According to Article L212-11 of the Consumption Code, the conditions of the extended warranty must be exposed in writing to the consumer.

In terms of home assistance insurance, in Luxembourg it can be included in the home insurance ("**assurance habitation**") **as an optional warranty or as a complementary service**. The home assistance warranty covers the costs of sending professionals (e.g. locksmiths, plumbers, electricians) in case of home damage, as well as accommodation costs, baby-sitting, pet care, furniture care during the repair or assistance<sup>485</sup>.

#### *Overview of the national market*

Based on the **CAA's circular letter**<sup>486</sup> that gives reporting instruction for insurance companies, no national statistics are available for add-on insurance. No other information could be found to fill this gap.

#### *Overview of premiums*

Based on the **CAA's circular letter**<sup>487</sup> that gives reporting instruction for insurance companies, no national statistics are available for add-on insurance. No other information could be found to fill this gap.

#### *Overview of data on claims*

Based on the **CAA's circular letter**<sup>488</sup> that gives reporting instruction for insurance companies, no national statistics are available for add-on insurance. No other information could be found to fill this gap.

### 5.1.6. Sales practices and distribution channels

In Luxembourg, the CAA reports on the share of distribution channels for the domestic market. This is presented in the following table.

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<sup>484</sup> Consumption Code. Available at [http://www.legilux.public.lu/leg/textescoordonnes/codes/Code\\_de\\_la\\_Consommation/Code\\_de\\_la\\_Consommation.pdf](http://www.legilux.public.lu/leg/textescoordonnes/codes/Code_de_la_Consommation/Code_de_la_Consommation.pdf)

<sup>485</sup> Assurances.lu, 2016, Home insurance. Available at: <http://www.assurances.lu/particuliers/assurance-habitation>

<sup>486</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)

<sup>487</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)

<sup>488</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)

Table 121: Distribution channels on the Luxemburgish market for non-life insurance (relative shares, %)<sup>489</sup>

Distribution channels	2011	2012	2013	2014	2015
Tied agents and insurance agencies	61.3	62.9	61.6	63.2	59.9
<b>Brokers and brokers' agencies</b>	24.2	21.3	21.3	18.3	26.1
Banks and other financial institutions	0.77	0.72	1.8	0.60	0.53
Other intermediaries	0.27	0.02	0.06	0.00	0.43
Direct sale	13.8	15.0	15.2	17.9	12.9
Other	0.02	0.02	0.15	0.03	0.17

Source: Commissariat aux Assurances, 2016, Annex to Annual Report 2015/2016

No information regarding the distribution channels for the specific types of products were reported.

As the table shows, most sales are made through intermediaries. On the domestic market, premiums are mostly distributed via agents. For the international activities, most of the contracts are written by brokers. There are around 140 brokers in Luxembourg, including 40 in non-life insurance who are generalist and cover the specified products (household, **car insurance**). **According to a representative of APCAL, brokers' customers are mainly companies and 70% of the risks they cover are typical to enterprises.**

According to an interviewee from ACA, for individual consumers, the most part of non-life insurance is distributed by a network of agents from insurance companies. ACA also added that the distribution channels for cross-border sales depends on the product and the market (e.g. more motor insurance in France, fire guarantee for household insurance in Belgium).

Overall, interviewees had little knowledge of comparison websites in Luxembourg and, if they had, they declared that these were not commonly used in the country.

Regarding online sales, the interviewee from the CAA declared that it does not play an important role in Luxembourg. In the last years, online sales have only increased from 14% to 18%. Out of the selected products, travel insurance is almost exclusively bought online, as consumers book trips online and purchase the travel insurance proposed in their travel contract. The reason why it has not picked up in Luxembourg is that there is no offer to subscribe for an insurance online, even though it may be attractive for young customers. Rather, interviewees stated that sales are typically done by agents in **Luxembourg, who would typically come to the individual's home to discuss insurance options.** The Consumption Code forbids unfair and discriminatory commercial practices and lists many examples, for instance when an insurer pretends having a label or specific

<sup>489</sup> CAA, 2015, Annex to Annual Report 2014/2015. Available at: <http://www.commassu.lu/upload/files/482/rapport%20annuel%202014%20-%20annexe.pdf>



qualification but does not, or when a product is advertised at a price that is never proposed in the contract.

In terms of discriminatory practices related to age and sickness, for motor third party liability insurance, drivers holding their license for less than two years are subject to an excess (while other drivers are not), which can be cancelled with a higher premium. For CASCO motor insurance, an excess is also specifically applied to young drivers (around 2.5% of the value of the vehicle)<sup>490</sup>. For car rental insurance, drivers must be above 23 years old and have held their license for one year. Drivers under the age of 25 may incur a young driver surcharge<sup>491</sup>. For travel insurance, people aged 70+ can only be covered for a period of 21 days with some companies<sup>492</sup>.

In the case ULC against Insurers<sup>493</sup>, the Competition Council fined 9 insurance companies providing motor third party liability cover as well as ACA, for cartel activities on the implementation of the Bonus/Malus system.

#### 5.1.7. Key features of cross-border transactions

##### *Cross-border sales*

In order for an insurance company to conduct insurance activities via the freedom of establishment (FOE), the competent authority of the home Member State must provide **the following documents to the CAA: (i) the company's programme of operations, (ii) the address of the branch in Luxembourg where documents may be obtained from and delivered to the company, (iii) the name of the branch's permanent representative, (iv) and a certificate issued by the competent authorities of the place where the insurance company's registered office is located abroad, attesting to the fact that the company meets the minimum solvency margin for its activities overall, pursuant to the relevant Community legislation.**<sup>494</sup>

Likewise, an insurance company from another EU Member State is able to conduct insurance activities in Luxembourg via the freedom to provide services (FPS) once the competent authority of the home Member State has provided the following documents to the CAA: (i) a certificate attesting to the fact that the company meets the minimum solvency margin for its activities overall pursuant to the relevant community legislation, (ii) the classes of insurance in which the company is authorised to deal, (iii) the nature of the risks that the company intends to cover or the commitments it intends to make in Luxembourg.<sup>495</sup>

For non-EU insurance companies, additional requirements are needed. In order for them to conduct insurance business in Luxembourg through a branch they must obtain an authorisation from the Ministry of Treasury and the Budget that includes a proof that they have been active in the insurance sector for at least 3 years.

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<sup>490</sup> Assurances.lu, 2016, Assurances Auto FAQ. Available at: <http://www.assurances.lu/particuliers/assurance-auto-questions-frequentes>

<sup>491</sup> Auto Europe: Luxembourg – Car Rental and Driving Information, Available at: <http://www.autoeurope.com/go/driving-information/luxembourg/>

<sup>492</sup> ULC, 2016, Les assurances voyage au Luxembourg. Available at: [http://www.csl.lu/index.php?option=com\\_rubberdoc&view=doc&id=3016&format=raw](http://www.csl.lu/index.php?option=com_rubberdoc&view=doc&id=3016&format=raw)

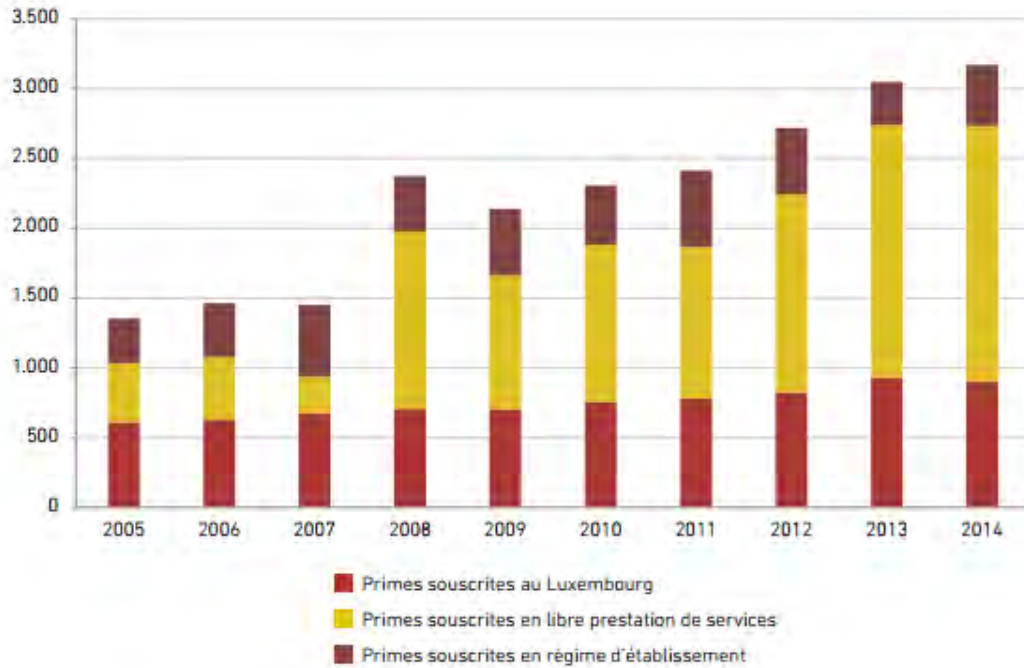
<sup>493</sup> Conseil de la Concurrence, Décision 2012-FO-08 - Affaire ULC contre assurances du 20 Décembre 2012. Available at: <http://www.concurrence.public.lu/fr/decisions/ententes/2012/decision-2012-fo-08/index.html>

<sup>494</sup> Nauta Dutilh, Avocats Luxembourg, 2009, Luxembourg Insurance Law. Available at: <https://www.nautadutilh.com/PageFiles/20250/Luxembourg%20insurance%20law.pdf>

<sup>495</sup> Nauta Dutilh, Avocats Luxembourg, 2009, Luxembourg Insurance Law. Available at: <https://www.nautadutilh.com/PageFiles/20250/Luxembourg%20insurance%20law.pdf>

In Luxembourg, the share of premiums written by FPS occupies a predominant place and has increased over the years, as shown in the following table for non-life insurance:

Figure 36: Breakdown of premiums for the non-life insurance sector (million EUR)



Note: premiums written in Luxembourg (in red), premiums written via FPS (in yellow), premiums written via FOE (dark red)

Source: Commissariat aux Assurances, 2015, Rapport Annuel 2014/2015

While no specific data could be found regarding the cross-border sales of specific products, interviewees highlighted that cross-border sales of insurance concern mostly travel insurance and credit insurance where insurers are mostly located abroad, typically in Belgium. Household and motor insurance tend not to be sold cross-border as the insurers simply refuse to cover some risks of properties located abroad. For instance, the ECC interviewee explained that for a Luxembourgish couple having a second house in the south of France, the Luxembourgish insurer refuses to insure the house abroad.

According to the APCAL interviewee, Luxembourgish car rental companies with a large fleet such as ALD Automotive<sup>496</sup> are likely to use foreign insurance with FPS like AIG and Belgian companies. For individual Luxembourgish customers, leasing contracts for cars also regularly includes FPS, for instance from Belgium.

Another example of FPS purchase of insurance for private consumers occurs when they buy flights or trips and there is a trip cancellation insurance. However, statistics are not collected on FPS purchase in the CAA as of yet.

Nonetheless, the Annual Report 2014/2015 published by the CAA provides information on cross-border sales in Luxembourg. On a FOE basis, it reports that the number of premiums on the Luxembourgish market in 2014 written by foreign branches amounts to 47,889 EUR.<sup>497</sup> These are much higher than in the life sector (16,833 EUR). However, the number of contracts sold on the Luxembourgish domestic market on a FOE basis tends to be relatively low, as foreign insurance companies prefer not to settle in Luxembourg due to the small size of the market.

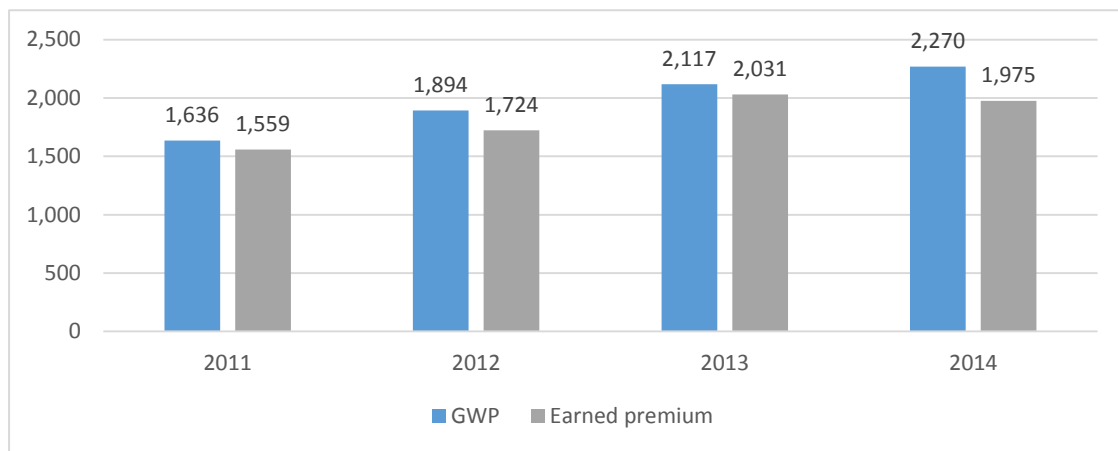
<sup>496</sup> ALD Automotive. Available at: <http://www.aldautomotive.lu/>

<sup>497</sup> CAA, 2015, Annex to Annual Report 2014/2015. Available at: <http://www.commassu.lu/upload/files/482/rapport%20annuel%202014%20-%20annexe.pdf>

The CAA also provides some information on the number of companies operating via FPS. It reports that in Luxembourg, 32 Luxemburgish companies operated via FPS on foreign markets in the non-life sector (out of a total of 77) in 2015.<sup>498</sup> The majority of them operate on the German, French and Belgian markets (24 respectively). Furthermore, out of the 509 foreign insurance companies authorised to provide services via FPS in the non-life sector in Luxembourg, the main international insurance companies are AIG, Hiscox, and Allianz.

In terms of cross-border premium volumes, the following graph shows the GWP and earned premiums for foreign undertakings by the Luxemburgish non-life insurance sector. Overall, gross written premiums grew slightly throughout the 2011-2014 period, whereas a small fall in earned premiums can be observed in 2014.

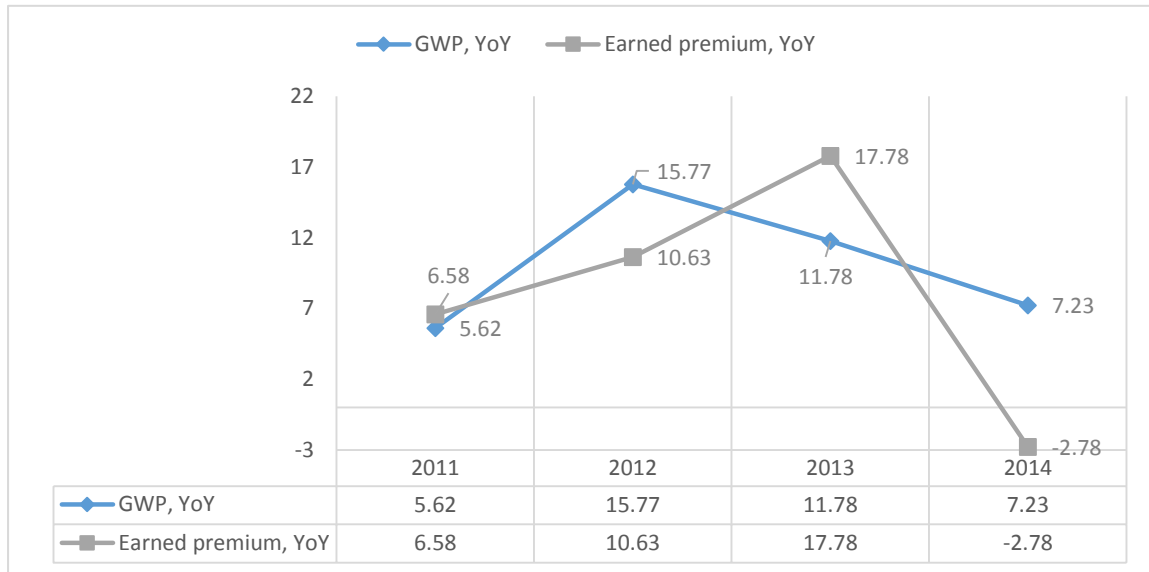
Figure 37 : Foreign Undertakings in The Non-Life Sector in Luxembourg (million EUR)



Note: in French – ‘primes émises brutes (GWP) et primes acquises (earned premium) des opérations à l’étranger’  
 Source: CAA, 2015, Annex to Annual Report 2014/2015

The following graph shows the year-on-year growth of gross written premiums and earned premiums for foreign undertakings in the non-life sector. The figure shows that the year-on-year growth of gross written premiums fell slightly in 2012 until 2014, while that of earned premiums experienced a bigger fall in 2013.

Figure 38 : Year on year growth of GWP and earned premiums in Luxembourg, in %



Note : in French – 'variations annuelles des primes émises brutes et primes acquises pour les opérations réalisées à l'étranger

Source: CAA, 2015, Annex to Annual Report 2014/2015

The table below presents the division of distribution channels on the international activities and shows a domination of brokers in these operations.

Table 122: Distribution channels on the international market for non-life insurance (relative shares, %)

	2011	2012	2013	2014	2015
Tied agents and insurance agencies	16.5	12.7	16.7	16.2	13.3
<b>Brokers and brokers' agencies</b>	60.2	69.7	60.4	67.8	67.2
Banks and other financial institutions	15.7	8.6	8.1	6.8	10.8
Other intermediaries	2.8	5.2	2.4	2.5	2.3
Direct sale	4.8	3.8	12.5	6.7	6.4
Other	0.04	0.1	0.06	0.07	0.05

Source: Commissariat aux Assurances, 2016, Annex to Annual Report 2015/2016

An interviewee from APCAL confirmed that the main distribution channel used for FPS is brokers. The purchase of cross border insurance products by FPS is mostly used for **firms' risks or done by corporate clients who buy products where their brokers tell them to.**

### *Main factors limiting cross-border insurance purchases*

According to a representative from APCAL, individual customers are not really interested in FPS. Insurance companies are also not keen to insure buildings and cars abroad since they are not familiar enough with the other legislations. Furthermore, when it comes to insurance, customers prefer to choose local providers, and local providers fight not to lose their market shares and sales revenues.

The interviewee from the CAA added that in addition to the low interest of consumers in cross-border purchases, these cross-border sales may be hindered by formalities such as **respecting the other country's laws and taxation.**

The bank and banker association share similar views and argue that there is often a lack of trust by the consumer in foreign products and markets<sup>499</sup>. Vice versa, the association considers that foreign financial service providers often lack the knowledge of local markets (culture, type of services needed by the market, legislation, etc.), which does not allow to build sound business cases. Even though certain rules would be better harmonised at European level, differences would remain, making it still difficult to enter foreign markets.

The bank and banker association highlights the following main obstacles to cross-border sales of insurance products:

- *"Language (translation costs, complexity of insurance terms)"*
- *"Differences in national legislation (different insurance habits, different consumer protection and contract laws, discrepancies in national taxation, civil and labour law)"*
- *"Additional requirements by national regulators create a lack of level playing fields among EU actors (e.g. liquidity threshold)"*
- *"Difficulties of verifying the identity of cross-border customers (at this stage, there is no interoperable national e-ID solution recognised by all EU-Member States)"*
- *"Costs of servicing clients across borders (without local infrastructure)"*
- *"Current lack of sufficient cross-border demand<sup>500</sup>."*

In contrast, the interviewee from the ECC tends to argue that the obstacle to cross-border purchase of insurance product mostly comes from insurers themselves who refuse to cover properties and risks abroad<sup>501</sup>. However, the consumer association has stipulated that so **far insurers' practice is to** inform consumers that such products are not covered by their offer.

### *Interventions to increase cross-border demand*

No relevant information on interventions relevant to consumer demand for cross-border non-life insurance products was available. Stakeholders were not aware of any specific public or private intervention aimed at increasing cross-border demand.

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<sup>499</sup> Association des Banques et Banquiers - Reply to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>500</sup> See Eurobarometer 373 survey of 2012: 80% of the citizens questioned do not plan to purchase financial products in another Member State as they believe they can access everything they need in their own country.

## 5.2. Consumer decision-making in the non-life insurance market- evidence from Luxembourg

### 5.2.1. Consumer understanding

The majority of interviewees commented on the fact that consumers sometimes neglect important information. In the cases handled by the ECC, the interviewee reported that complaints were often due to the fact that consumers never really looked for information before buying the insurance products. They reported that consumers do not fully read the terms and conditions and therefore do not understand why they are not covered against some risks.

### 5.2.2. Type of problems

A representative from APCAL agreed that, in the market for non-life insurance, consumers encounter problems when there is not enough information on how to make better decisions when choosing insurance products. Consumers sometimes do not understand the general conditions of their contracts. Indeed, the representative of the ECC, who deals with cross-border cases, argued that the main problems for consumers are the misunderstanding of general conditions which are too long and too complex, and that even when they found the right information they did not understand it.

### 5.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

The CAA, which under Article 2 (5) of the Insurance Sector Law has the task to collect and examine complaints emanating from insurance holders, reported an increasing number of complaints across the insurance sector<sup>502</sup>. Out of the 65 complaints received in 2015 aimed at 15 life insurance companies, 9 non-life insurance companies and 2 insurance intermediaries, 24 complaints were related to non-life insurance. In the non-life sector, 83.3% of the complaints were filed by Luxembourgish residents in 2015 and the other 16.6% came from other EU Member States. Even though the national supervisory authority collects complaints from companies individually, it does not yet have the extra judiciary status to solve disputes with insurers.

The table below summarises the number of complaints for the period 2011-2015, as reported by the CAA.

Table 123: Number of complaints reported by the CAA

Number of complaints	2011	2012	2013	2014	2015
Insurance sector (total)	N/A	74	55	61	65
<i>Non-life insurance</i>	N/A	22	20	23	24

Source: Commissariat aux Assurances, 2016, Rapport Annuel 2015/2016

Interviewees from CAA and the ECC declared that, most often, when complaints are filed, the insurance company is found not to be in the wrong. Instead, it is the consumer who has not properly read or understood the contract.

<sup>502</sup> Commissariat aux Assurances, 2016, Rapport Annuel 2015/2016. Available at: <http://www.commassu.lu/upload/files/555/rapport%20annuel%202015.pdf>

The insurance ombudsman, which is a joint partnership between the consumers' association (ULC, Union Luxembourgeoise des Consommateurs<sup>503</sup>) and the ACA, aims at providing insurers with an alternative dispute resolution entity that can hence reduce court processes that could be lengthy and costly. The insurance ombudsman, which handles complaints between life/non-life insurance companies who are members of the ACA and consumers residing in or outside Luxembourg, reported having dealt with 34 complaints in 2015, 22 of them relating to sectors of the non-life insurance<sup>504</sup>. No data from previous years was available.

According to an interviewee from the CAA, in the future, the CAA intends to be recognised by the Ministry of Justice to be able to solve extra judiciary complaints and comply with the EU framework.

#### *Overview of consumer complaints for household insurance*

According to the European Commission 2016 Consumer Market Scoreboard<sup>505</sup> and as illustrated in Table 10 of Annex I, 6.6% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 6.9 on a 0-10 range. 79.2% of the respondents having experienced at least one problem complained, including 31.6% to their retailer/provider and 10.9% to third-party complaint bodies. Thus, the share of Luxemburgish consumers having experienced problems and their level of detriment are above the EU 28 average. The share of respondents who complained after experiencing a problem is close to the EU 28 average, however with half less complaints to retailers/producers than the EU 28 average.

#### *Overview of consumer complaints for motor insurance*

According to the European Commission 2016 Consumer Market Scoreboard<sup>506</sup> and as illustrated in Table 10 of Annex I, 3% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 7.5 on a 0-10 range. 100% of the respondents having experienced at least one problem complained, including 69.1% to their retailer/provider. Thus, the share of Luxemburgish consumers having experienced problems is below the EU 28 average but their level of detriment was above. All Luxemburgish respondents who experienced a problem complained, which is above the EU 28 average, with most complaints to retailers/producers but none to third party complaint bodies.

#### *Overview of consumer complaints for car rental insurance*

Based on the **CAA's circular letter**<sup>507</sup> on the classification of non-life branches and that gives reporting instruction for insurance companies, no national statistics are available for car rental insurance. No other information could be found to fill this gap.

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<sup>503</sup> Union des Consommateurs Luxembourgeois. Available at: <https://www.ulc.lu/fr/>

<sup>504</sup> ACA, 2015, Rapport annuel. Available at: [http://www.aca.lu/wp-content/uploads/ACA\\_Rapport\\_annuel\\_2015\\_online.pdf](http://www.aca.lu/wp-content/uploads/ACA_Rapport_annuel_2015_online.pdf)

<sup>505</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>506</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>507</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)

### *Overview of consumer complaints for add-on insurance*

Based on the **CAA's circular letter**<sup>508</sup> that gives reporting instruction for insurance companies, no national statistics are available for add-on insurance. No other information could be found to fill this gap.

### *Cross-border consumer complaints*

The ECC is in charge to help consumers by informing them about the procedure, writing complaint letters, contacting insurance companies and intending to find an amicable settlement.

A representative from the ECC, which only deals with cross-border cases and receives questions linked to information or complaints, reported that in 2014, 4% of their cases concerned insurance products (all insurance without precision of the category of product), amounting to 31 complaints (10 of them led to a financial compensation from the insurers). In 2015, insurance cases represented 3% of their total cases amounting to 28 complaints (8 of them led to financial compensation from the insurers). The insurance cases concern mostly travel insurance and credit insurance.

For the ECC interviewee, the low number of complaints received may be explained by the fact that consumers are not aware of the activities of the ECC.

#### 5.2.4. Access to information

In Luxembourg, there have not been public or private information campaigns about insurance products and the interviewees were not aware of any comparison websites targeting insurance products included in the scope of the study.

According to the CAA interviewee, customers like proximity and hence prefer to negotiate with an insurance company that is closer and accessible. In Luxembourg, consumers typically refer to agents or resort to brokers.

#### 5.2.5. Switching behaviour

No data on switching rates could be found and interviewees confirmed that this data was not provided by national statistics. Nonetheless, as indicated by the interviewee from the CAA, these are expected to be rather low, as customers tend to be faithful to their insurer and satisfied with the service. Young customers or foreign citizens settling in Luxembourg may have different distribution preferences and be more selective. A representative from the ECC also argued that the switching rates are expected to be low considering that consumers do not seem to really choose their insurance providers but take what is offered to them directly.

#### 5.2.6. Consumer awareness

There has not been any recent public awareness campaign about insurance, according to the interviewees. Furthermore, even though **Insurance Europe's Consumer Focus reports on the insurers' good practices across Europe to empower consumers**, no information was available for Luxembourg.

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<sup>508</sup> Commissariat aux Assurances, 2003, Lettre circulaire 03/2 du Commissariat aux assurances relative au reporting annuel des entreprises luxembourgeoises d'assurances directes. Available at: [http://www.commassu.lu/upload/files/341/Circ03\\_2.pdf](http://www.commassu.lu/upload/files/341/Circ03_2.pdf)



### 5.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from Luxembourg

#### 5.3.1. Factors potentially leading to problems with consumer decision-making

Based on the problems raised in the previous section and the information shared by interviewees, factors that may be expected to lead to problems with consumer decision-making in Luxembourg include the complexity of the insurance contracts and conditions, the lack of information or advertising campaigns or the low development of comparison websites.

As a result, interviewees reported that most of the problems for consumers occurred because of a lack of understanding of contract terms and conditions.

Concerning cross-border cases, the ECC representative explained that often consumers do not know how to declare a claim, cannot identify the insurance company for add—on insurance products such as travel insurance, or do not understand why their claim is not covered. In addition, the CAA representative declared that it is very common for people in Luxembourg to own duplicate insurance (duplication with credit card, Europassurance etc.). For instance, there is unlimited cover for third party liability insurance, which does not exist in most European countries. The ECC interviewee argued that duplication rates tended to be rather common, especially for travel insurance where consumers pay with premium credit cards that already include some insurance provisions. As most consumers do not seem well informed about their insurance guarantees, duplications happen quite regularly.

#### 5.3.2. Remedies that have been proposed or put in place

Very little information is available on remedies proposed or put in place in Luxembourg to **improve consumers' decision-making** in the insurance market.

The interviewee from APCAL reported that the association intended to carry out a market analysis to determine how brokers are considered as well as how to improve their image and raise awareness about their activities. They also intend to develop advertisements for brokers, arguing that brokers compare several insurance products while agents only sell products from one company. The consumer association UCL (Union des Consommateurs Luxembourgeois) regularly prepares thematic studies on non-life insurance (travel, household insurance, etc.), which appear in the media, e.g. radio and television. For instance, they published a study on motor insurance<sup>509</sup> comparing the offer and warranties offered by the main insurance provider. They also recently published a study<sup>510</sup> together with the Chambre des Salariés Luxembourg<sup>511</sup> (CSL - Employees Chamber) on travel insurance that seeks to better explain, outline and compare the different travel insurance products available on the market in 21 points. The aim of this study is to inform consumers to improve their decision making and avoid the risk of insurance duplication. The regulatory authority CAA manages training for future insurance intermediaries.

The ECC interviewee also noted that terms and conditions should be presented in a more consumer-friendly way. The ACA also intends to organise training and information sessions in high schools to raise awareness about insurance, according to its representative.

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<sup>509</sup> ULC, 2012, La RC-Automobile – Enquête sur une liberté retrouvée. Available at: [https://www.ulc.lu/Uploads/Konsument/Doc/63\\_04\\_06-11.pdf](https://www.ulc.lu/Uploads/Konsument/Doc/63_04_06-11.pdf)

<sup>510</sup> ULC, 2016, Les assurances voyage au Luxembourg. Available at: [http://www.csl.lu/index.php?option=com\\_rubberdoc&view=doc&id=3016&format=raw](http://www.csl.lu/index.php?option=com_rubberdoc&view=doc&id=3016&format=raw)

<sup>511</sup> Chambre des Citoyens Luxembourg. Available at: <http://www.csl.lu/>

## 6. Country Report: Romania

### 6.1. Non-life insurance market

#### 6.1.1. Non-life insurance

In Romania, the non-life insurance sector represented 79.27% of all GWP in 2015, while the life insurance sector covered the rest (i.e. 20.23%)<sup>512</sup>. This share has been slowly decreasing since 2009, when non-life insurance represented 81.64% and life insurance 18.36% of the market<sup>513</sup>. **Romania's insurance market** composition is therefore different from that of other EU countries, where life insurance accounted for 61% of all EU GWP in 2014<sup>514</sup>. One explanation for the decrease in the non-life insurance share is the fact that the segment is reliant on motor insurance<sup>515,516</sup>, and that due to the financial crisis there were less motor sales or car leasing.<sup>517</sup> In addition, the **non-insurance sector's GWP** decreased by 4.2% over the 2009-2015 period, largely due to the 10.8% decrease in the motor insurance sector.

The non-life insurance sector in Romania is divided into 18 product classes according to which the national supervisory authority (Financial Supervisory Authority, or FSA<sup>518</sup>) regulates and generates statistics on the market through yearly reports. The size of these, depending on their gross written premiums (GWP), is illustrated in the table below.

Table 124: Non-life insurance product classes and the trend in their GWP in Romania 2014-2015<sup>519</sup>

Insurance for:	2014 (EUR million)	2015* (EUR million)	% variation
I. Accident and sickness <sup>520</sup>	24.17	16.21	-32.93%
II. Health	8.60	12.91	50.14%
III. Land transportation vehicles other than rail	384.24	373.04	-2.91%

<sup>512</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 58. Available at:

[http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebancale%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebancale%202015_site.pdf)

<sup>513</sup> Financial Supervisory Authority, 2015, Annual Report 2014, page 43. Available at:

<http://asfromania.ro/publicatii/rapoarte-anuale/rapoarte-asf/4222-raport-anual-asf-2014>

<sup>514</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 58. Available at:

[http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebancale%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebancale%202015_site.pdf)

<sup>515</sup> In 2009, the share of motor insurance GWP in the total non-life insurance GWP was 77%, decreasing to 62.8% in 2012 but increasing to 71.7% by 2015.

<sup>516</sup> The motor insurance sector in this explanation, as well as in this country report, is made of non-life insurance product classes III and X.

<sup>517</sup> Vasilache, A. (2011). Piata asigurarilor in 2010: Volumul de prime brute subscrise a sczut cu 5,7% la 8,3 miliarde lei, indemnizatiile platite de asiguratorii au sczut cu 7,18%. HotNews. Available at: [http://economie.hotnews.ro/stiri-pensii\\_private-8333608-piata-asigurarilor-2010-volumul-prime-brute-subscrise-scut-5-7-8-3-miliarde-lei-indemnizatiile-platite-asiguratorii-scut-7-18.htm](http://economie.hotnews.ro/stiri-pensii_private-8333608-piata-asigurarilor-2010-volumul-prime-brute-subscrise-scut-5-7-8-3-miliarde-lei-indemnizatiile-platite-asiguratorii-scut-7-18.htm)

<sup>518</sup> Financial Supervisory Authority, 2016, Main webpage. Available at: <http://asfromania.ro/en/>

<sup>519</sup> Figures were converted from Romanian Leu (RON) to EUR using end-of year exchange rates from the European Central Bank: 1 EUR = 4.38 RON (2014) and 1 EUR = 4.524 RON (2015). The figures were approximated at a two decimals level. However, percentage changes and the total are calculated based on the non-approximated figures.

<sup>520</sup> In this context, sickness refers to an illness that renders the insured temporarily or permanently incapable of working.

Country fiches

Insurance for:	2014 (EUR million)	2015* (EUR million)	% variation
IV. Rail transportation	0.85	1.00	16.97%
V. Aerial transportation	2.34	2.15	-7.87%
VI. Naval transportation	13.28	8.27	-37.78%
VII. Goods in transit, including transported merchandise, luggage and all other goods	8.65	8.42	-2.70%
VIII. Fire and natural calamities	217.75	213.46	-1.97%
IX. Property damage	38.16	36.00	-5.66%
X. Automobile third-party liability	638.93	727.02	13.79%
XI. Aerial third-party liability	4.06	2.81	-30.89%
XII. Naval third-party liability	3.29	3.16	-4.10%
XIII. General third-party liability	64.03	63.29	-1.15%
XIV. Credit	4.30	1.49	-65.22%
XV. Guarantees	36.78	41.44	12.68%
XVI. Financial losses	4.07	4.81	18.24%
XVII. Judicial protection	0.03	0.05	58.10%
XVIII. Assistance to people in difficulty	17.73	17.85	0.68%
TOTAL non-life insurance	1,471.27	1,533.38	4.22%

\* - Figures include indicators from all insurance firms active in the non-life insurance market. For the firm ASTRA Insurance, information is only available until 30.06.2015, while for all other firms, information is available until the end of 2015.

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 58.

On the basis of the classes indicated in Table 124, the GWP of the four categories considered in this case study can be described as follows:

- Household insurance, as understood in this case study, is composed of a subsection of class VIII (fire and natural calamity) related to residential insurance and class IX (property damage) for the insurance of household content (goods within).
- Motor insurance is here composed of the compulsory insurance (class X – automobile third-party liability) and additional insurance (class III – land transportation vehicles other than rail).

- Car rental insurance is here included in motor insurance, as a product purchased by car rental companies, which is transferable to the car renter through the rental contract.
- Add-on insurance comprises all types of extra insurance such as travel insurance (made of health insurance products part of classes I and II, as well as baggage insurance part of class VII from the product classes of Table 124), home assistance (part of insurance product class IX in Table 124) and extended warranty (maintenance bonds foreseen under class XV in Table 124).

While data is generally available for household and motor insurance, there are data gaps in the car rental and add-on insurance markets. Data on car rental insurance premiums is not recorded in Romania, since the price is included in the car rental price<sup>521</sup>. Add-on insurance is especially popular for travel insurance products, which in Romania refers mainly to health insurance products (part of classes I and II), but also to baggage insurance (part of class VII)<sup>522</sup>. From desk research and interviews with stakeholders, it appears that add-on and travel insurance constitute a very small percentage of the market in Romania. In addition, data is not recorded for these two specific product categories.

#### *Overview of the national market*

In Romania, the insurance market constitutes a relatively **low share of the country's Gross Domestic Product (GDP)**. In 2015, the total amount of GWP for the whole insurance sector (life and non-life combined) constituted only 1.23% (made up of 0.98 percentage points for non-life insurance products and 0.25 percentage points for life insurance products) of the country's GDP, among the lowest insurance penetration rates in the EU. In 2009, the insurance penetration rate was 1.74% (second-lowest after Latvia), and since then it has been slowly decreasing to 1.21% in 2014, followed by a moderate increase to 1.23% in 2015<sup>523 524</sup> due to a GDP increase of 3.7%<sup>525</sup>. The non-life penetration rate (both excluding and including health premiums) has remained stable between 2011 and 2014 at 1%, except for a decrease at 0.9% in 2012 for non-life excluding health<sup>526</sup>. Non-life insurance density in Romania in 2015 was 77.17 EUR/person, after a 3.41 EUR increase from 2014<sup>527</sup>. The overall insurance density for non-life insurance products in Romania is shown in the table below, with figures in EUR. While in EUR the increasing trend is evident, in RON the density decreased slightly between 2013-2014 by 0.42%.

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<sup>521</sup> Information obtained through desk research as well as through conversations with all stakeholders interviewed.

<sup>522</sup> Andreea Radu, 2015, Vacanta de iarna fara griji. Available at: [http://www.primm.ro/vacanta-de-iarna--fara-griji\\_1404.html](http://www.primm.ro/vacanta-de-iarna--fara-griji_1404.html)

<sup>523</sup> Financial Supervisory Authority, 2015, Annual Report 2014, page 30, Table I.1.5. Available at: <http://asfromania.ro/publicatii/rapoarte-anuale/rapoarte-asf/4222-raport-anual-asf-2014>

<sup>524</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 55, Table 47. Available at: [http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebancaire%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebancaire%202015_site.pdf)

<sup>525</sup> Andreea Radu and Vlad Boldijar, 2016, Piata asigurarilor: Crestere surpriza in 2015. Available at: [http://www.primm.ro/piata-asigurarilor--crestere-surpriza-in-2015-\\_1707.html](http://www.primm.ro/piata-asigurarilor--crestere-surpriza-in-2015-_1707.html)

<sup>526</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

<sup>527</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 56. Available at: [http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebancaire%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebancaire%202015_site.pdf)

Table 125: Insurance density for non-life insurance products in Romania, 2013-2015<sup>528</sup>

Sector	Density (EUR)		
	2013	2014	2015*
Total non-life	72.61	73.76	77.17

\* Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2015, Annual Report 2014, page 41; Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 56.

The FSA, as well as the industry, view the low penetration rate and the low insurance density in Romania as problematic. These stakeholders expect the penetration rate and insurance density to increase in 2016 and following years because of the high number of potential insurance customers, their growing needs for insurance products as a result of aging, and the 4% estimated GDP growth. Among the **FSA's goals for 2016, the President** listed the simplification of product distribution through various distribution channels, increasing the involvement of credit institutions in the supply chain, as well as launching new products targeting sectors such as household and property insurance, motor insurance, agricultural and life and health insurance. According to him, there is a high potential of raising insurance density in sectors such as life and health, calamity protection and agriculture<sup>529</sup>.

According to the FSA, 2015 is the 10<sup>th</sup> consecutive year during which the industry as a whole was making a loss<sup>530</sup>. As a consequence, the third largest insurance firm in Romania, ASTRA Insurance, declared bankruptcy in December 2015. This was followed in July 2016 by another large insurance firm, Carpatica Asigurari, having its license removed and entering insolvency procedures<sup>531</sup>. The loss, as explained further in this section, is mainly due to the bad performance of the insurance sectors on which the market is most dependent, namely the motor insurance sector (insurance product classes III and X in Table 124), which accounted for 71.74% of all non-life GWP in 2015, as well as the household insurance sector (insurance product class VIII in Table 124), which accounted for 13.92% of all non-life GWP in 2015<sup>532</sup>.

However, most EU Member States experienced drops in the number of persons insured over the period 2008-2012. The FSA noted that the very low density level recorded in Romania is due to low income levels combined with the effects of the financial crisis on **consumption and distribution patterns, as well as consumers' financial illiteracy**<sup>533</sup>. A large insurance firm agrees that the low insurance density is due to the low income level of Romanians, which is the second-lowest in the EU after Bulgaria. They also agree that financial literacy needs to be improved, as consumers should be more aware of the risks

<sup>528</sup> Figures were converted from Romanian Leu (RON) to EUR using end-of year exchange rates from the European Central Bank: 1 EUR = 4.471 RON (2013), 1 EUR = 4.38 (2014) and 1 EUR = 4.524 RON (2015)

<sup>529</sup> PRIMM Media, 2016, Pensions and Insurance Magazine nr 150, Year XVII, December 2015-January 2016, page 20. Available at: [http://www.primm.ro/arhiva/web\\_2015\\_12.pdf](http://www.primm.ro/arhiva/web_2015_12.pdf)

<sup>530</sup> Andreea Radu and Vlad Boldijar, 2014, Piata romaneasca de asigurari incheie al optulea an consecutiv de pierdere. Available at: <http://www.1asig.ro/Piata-romaneasca-de-asigurari-incheie-al-optulea-an-consecutiv-de-pierdere-articol-13,90-49404.htm>; Financial Supervisory Authority, 2015, Annual Report 2014, page 75.

<sup>531</sup> Carpatica Asigurari, 2016, Important pentru clienti. Available at: <http://www.carpaticaasig.ro/important-pentru-clienti.aspx>

<sup>532</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, pages 55 and 62. Available at: [http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanicare%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanicare%202015_site.pdf)

<sup>533</sup> Financial Supervisory Authority, 2014, Annual Report 2013. Available at: [http://asfromania.ro/files/Raport%20anual%20ASF%202013\\_.pdf](http://asfromania.ro/files/Raport%20anual%20ASF%202013_.pdf)

their policy covers, the policy price, how to register a claim and how long it takes to get compensation<sup>534</sup>.

Non-life insurance firms in Romania tend to be generalists, covering the most common types of insurance products, namely household, motor and health insurance. The Romanian non-life insurance market is highly concentrated: although there were 27 insurance firms active<sup>535</sup>, 90.56% of all non-life GWP in 2014 was held by 10 firms, while 49% was held by the first four firms<sup>536</sup>. The situation is presented in the table below.

Table 126: Firms with largest GWP in the non-life insurance market by market share and number of contracts in Romania in 2014<sup>537</sup>

Nr	Firm	GWP non-life insurance (EUR)	Market share (%)	Nr contracts in operation
1	ALLIANZ - TIRIAC ASIGURĂRI SA	202,692,491	13.77	1,505,281
2	OMNIASIG VIG	196,433,712	13.34	977,040
3	ASTRA SA <sup>538</sup>	173,817,956	11.81	2,145,373
4	GROUPAMA ASIGURĂRI SA	152,331,166	10.35	692,150
5	CARPATICA ASIG SA <sup>539</sup>	126,403,977	8.59	1,083,921
6	ASIROM VIENNA INSURANCE GROUP SA	109,028,558	7.41	574,568
7	EUROINS ROMANIA ASIGURARE REASIGURARE SA	108,305,037	7.36	1,084,206
8	UNIQA ASIGURĂRI SA	93,972,057	6.38	405,594
9	GENERALI ROMANIA	87,764,000	5.96	375,945
10	CITY INSURANCE SA	82,530,146	5.61	N/A
TOTAL (1- 10)		1,333,279,099	90.56	
Other firms		138,994,079	9.44	
All GWP non-life insurance		1,472,273,178	100	

Source: own calculations based on Financial Supervisory Authority (2015). Annual Report 2014. pp 45; UNSAR (2015). Nr contracte defalcate trim IV 2014

In addition, as noticed in Table 124, the main classes according to the size of the GWP are classes III, VIII and X, which in total made up 84.34% of all non-life insurance GWP in

<sup>534</sup> Marius Alexandru Stanciu, 2014, Adrian Marin, Generali: Asiguratorii trebuie sa se concentreze pe client, pe servicii corecte. Available at: <http://www.wall-street.ro/articol/Finante-Banci/177431/adrian-marin-generalii-asiguratorii-trebuie-sa-se-concentreze-pe-client.html>

<sup>535</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 55. Available at: [http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanzare%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanzare%202015_site.pdf)

<sup>536</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 62, Table 54. Available at: [http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanzare%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanzare%202015_site.pdf)

<sup>537</sup> Figures were converted from Romanian Leu (RON) to EUR using end-of year exchange rates from the European Central Bank: 1 EUR = 4.471 RON (2013) and 1 EUR = 4.38 RON

<sup>538</sup> Astra entered into bankruptcy proceedings in December 2015.

<sup>539</sup> Carpatica Asigurari had its license removed and entered insolvency procedures in July 2016.

2013. Their trends and fluctuations have thus had a large impact on the entire sector's performance, as described in the rest of this report.

The number of contracts held decreased over the period 2012-2014, according to data from the largest insurance firms in Romania which form part of UNSAR<sup>540</sup> (National Association of Insurance and Reinsurance Companies in Romania – a trade association of 20 members and 5 associate members, the largest of its kind in Romania). The decrease of 26% between 2012 and 2014, is largely due to the motor insurance sector (14.4% decrease) and the natural calamity insurance (11.5% decrease) sector, the two most popular product types in Romania. Table 127 depicts this trend for the overall non-life insurance contracts held by UNSAR members.

Table 127: Non-life insurance – number of contracts held in Romania 2011-2014

Sector	Number of contracts held			
	2011	2012	2013	2014
Total non-life	10,988,508	12,242,518	10,176,273	9,041,749
I. Accident and sickness <sup>541</sup>	273,356	837,231	960,445	1,153,564
II. Health	8,261	507,236	509,292	141,153
III. Land transportation vehicles other than rail	961,050	950,179	811,138	819,854
IV. Rail transportation	304	329	247	251
V. Aerial transportation	250	106	84	77
VI. Naval transportation	1,319	1,616	1,305	1,450
VII. Goods in transit, including transported merchandise, luggage and all other goods	4,356	6,665	3,828	4,213
VIII. Fire and natural calamities	4,958,363	4,073,929	2,953,738	2,122,871
IX. Property damage	85,815	201,391	218,355	90,570
X. Automobile third-party liability	4,148,835	4,566,971	3,844,804	3,902,507
XI. Aerial third-party liability	124	161	148	143
XII. Naval third-party liability	169	259	242	268
XIII. General third-party liability	392,643	768,420	535,311	487,555
XIV. Credit	37,051	36,984	35,143	32,643
XV. Guarantees	3,295	6,984	8,011	11,356
XVI. Financial losses	3,926	8,130	5,409	5,182
XVII. Judicial protection	2	68	0	114,186
XVIII. Assistance to people in difficulty	109,389	275,859	288,773	153,906

Source: UNSAR, 2016, Statistics for years 2010 to 2014.

<sup>540</sup> UNSAR, 2016, Main Page. Available at: <http://unsar.ro/>

<sup>541</sup> In this context, sickness refers to an illness that renders the insured temporarily or permanently incapable of working.



In contrast, the number of contracts sold in the non-life insurance sector registered a peak in 2014, followed by a slow decrease in 2015. Table 128 shows this trend.

Table 128: Non-life insurance – number of contracts sold in Romania

Sector	Number of contracts sold		
	2013	2014	2015*
Total non-life	15,317,026	16,259,980	15,919,162

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, *Evolutia Pietelor Financiare Nebancare in anul 2015*, pages 58, 77 and 83; Financial Supervisory Authority, 2015, *Annual Report 2014*, page 43.

As indicated by the FSA in its 2013 Annual Report, as well as by interviewees (FSA, AURSF<sup>542</sup> and APPA-Asigurari<sup>543</sup>), Romanian consumers tend to only buy insurance when it is mandatory. The regulatory environment in Romania specifies that two types of insurance are mandatory for those concerned: third-party motor liability insurance for car owners<sup>544</sup> and compulsory household building insurance for homeowners<sup>545</sup>. These are described later on in the study, in the sections on household insurance and on motor insurance respectively.

The FSA is responsible for monitoring the whole insurance market and ensuring that such rules are respected. Apart from the insurance market, it also supervises capital markets, private pensions markets and several country-level insurance funds. The authority is run by a board composed of seven members, of which one president, four vice-presidents and representatives from the internal audit and communication departments. The four vice-presidents preside over the authority's different competences: consumer protection and financial administration, financial instruments and investments, insurance-reinsurance and private markets<sup>546</sup>.

Pursuant to FSA Order 23/2009<sup>547</sup>, all insurance providers (including intermediaries) must provide consumers with detailed information about the law applicable to the insurance contract, redress options, and about the existence of the Guarantee Fund for Insurance (FGA<sup>548</sup>, see below). The insurance contract must contain the definition of each insured risk and the sums insured, the exclusions, the conditions for cancellation and termination of the contract, the conditions for claim handling, and the penalties in case the contract is ceased before its term, either unilaterally or in other scenarios.

This order is completed by FSA Order 11/2010<sup>549</sup>, which states that insurance providers must inform consumers about the details of the policy (type, duration, payment frequency), the evolution of paid premiums and the administration costs. The insurance

<sup>542</sup> AURSF (<http://www.aurf.ro/>) is the Romanian Association of Financial Services Users, an NGO aiming to protect financial services consumers through promoting and defending their rights.

<sup>543</sup> APPA-Asigurari (<http://appa-asigurari.ro/>) is the Association for the Promotion of Insurance, an NGO aiming to protect the rights of insurance products consumers, and to increase the education level about insurance products among the general population.

<sup>544</sup> Mandatory according to Law 136/1995, implemented through Order 5/2010 of the Commission for Supervising the Insurance Sector (entity replaced by the Financial Supervisory Authority)

<sup>545</sup> Mandatory according to Law 260/2008 regarding compulsory household insurance against earthquakes, landslides and floods. The law was amended several times in 2015, 2013 and 2011.

<sup>546</sup> <http://asfromania.ro/en/about-asf/board-and-organization>

<sup>547</sup> Financial Supervisory Authority, Order 23/2009. Available at: <http://asfromania.ro/legislatie/legislatie-sectoriala/legislatie-asigurari/legislatie-secundara-csa/norme-csa/2985-ordin-nr-232009>

<sup>548</sup> **Fondul de Garantare a Asiguraților**. Available at: <http://www.fgaromania.ro/>

<sup>549</sup> Financial Supervisory Authority, Order 11/2010. Available at: <http://asfromania.ro/legislatie/legislatie-sectoriala/legislatie-asigurari/legislatie-secundara-csa/norme-csa/2988-ordin-nr-112010>



provider must also offer the consumer information on the investment fund where the insurance premium will be invested, in case the insurance offered is unit-linked.

A new rule, 4/2016<sup>550</sup>, introduced on May 19<sup>th</sup> 2016 as a response to Government Ordonance 38/2015 created an alternative dispute resolution (ADR) mechanism for the first time. The ADR is described further on in this sub-section. Another key piece of legislation (FSA Norm 24/2014<sup>551</sup>) imposes upon insurance firms the obligation to clearly indicate on their website information on the number of claims received and their successful claims ratio.

**In its reply to the European Commission's Green Paper consultation**<sup>552</sup>, the FSA noted that some financial products, especially health and medical insurance, have complicated terms in their contracts. These are most often related to the extent and conditions under which pay-outs can be made. The new requirements at EU level such as the IDD (Directive 2016/97), the Solvency II directive (Directive 2009/138) and the MiFID II Directive (Directive 2014/65), supplemented by level 2 and 3 legislations can increase the insurance activity and facilitate access of consumers to easy, simple and understandable products.

An important legal change in the insurance market occurred in 2015, when the Insurers' Guarantee Fund was established as a result of the bankruptcy of ASTRA Insurance, one of the largest Romanian insurance firms. The insurance firm was first put under external administration and it declared bankruptcy in December 2015, following its failure to find a buyer. Until December 2015, the firm had paid out on 11,200 claims for an estimated value of 20.3 million EUR (92 million RON). This represented only 19.5% of all possible claims that the insured persons (B2C) and firms (B2B) could make on the firm. These remaining claims **were taken on by the Insurers' Guarantee Fund, a private entity** established through Law 213/2015<sup>553</sup>. More recently, in July 2016, insurance firm Carpatica Asigurari declared insolvency.

Information on excess is not recorded by the FSA or published in its annual reports or in **the reports of UNSAR (the industry's largest group)**. The regulated insurance products (i.e. mandatory M3PL and household insurance) cannot have an excess, while the extra coverage products, such as voluntary household insurance, can have an excess, as explained further in the following sections.

The tax applicable to non-life insurance products is 1% of total earned premiums. This counts as a contribution to the Guarantee Fund (Insolvency Fund), which is responsible for reimbursing beneficiaries in case an insurance firm goes bankrupt. The tax is not applicable to companies operating through FPS. In addition, 0.3% of total earned premiums (life or non-life) counts as a tax supporting the functioning of the Guarantee Fund. Again, this is not applicable to companies operating through FPS. Finally, 0.4% of all earned premiums for direct non-life insurance activity is paid to the Guarantee Fund as the administrator of the Insurers Resolution Fund<sup>554</sup>.

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<sup>550</sup> Rule 4/2014 on the organisation and functioning of the Alternative Dispute Resolution mechanism in the non-banking financial sector. Available at: <http://asfromania.ro/legislatie/legislatie/5255-regulamentul-nr-4-2016-privind-organizarea-si-functionarea-entitatii-de-solutionare-alternativa-a-litigiilor-in-domeniul-financiar-nonbancar-sal-fin>

<sup>551</sup> Norm 24/2014 describing the procedure of resolving claims about the activity of insurers and insurance brokers. Available at: <http://asfromania.ro/legislatie/legislatie-sectoriala/legislatie-asigurari/legislatie-secundara-csa/norme-csa/399-2014/3276-norma-nr-24-2014-privind-procedura-de-solutionare-a-petițiilor-referitoare-la-activitatea-asiguratorilor-si-brokerilor-de-asigurare>

<sup>552</sup> European Commission, 2015, Green Paper on retail financial services. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper\\_en.pdf](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper_en.pdf)

<sup>553</sup> Ziare.Com, 2016, Falimentul Astra Asigurari: Ce trebuie sa faca romanii care asteapta sa fie despagubiti. Available at: <http://www.ziare.com/bani/asigurarai/falimentul-astra-asigurarai-ce-trebuie-sa-faca-romanii-care-asteapta-sa-fie-despagubiti-1404778>

<sup>554</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

*Overview of premiums*

After an important drop during the recent economic crisis, the GWP for all non-life insurance products increased from 2011 to 2015, as depicted in the table below.

Table 129: GWP for non-life insurance products in Romania, 2011-2015, in million EUR

GWP (million EUR)	2011	2012	2013	2014	2015*
Total non-life	1,407	1,452	1,451	1,471	1,533

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 61.

Total earned premiums in the non-life insurance market increased every year between 2011 and 2015, as illustrated in Table 130. A drop in earnings was recorded in 2008, but more sharply in 2009, when earnings decreased by 33%, and earnings continued to drop in 2010. Afterwards, earned premiums increased by 60% in the period 2011-2015, as shown in the table below.

Table 130: Total earned premiums for non-life insurance products in Romania, 2011-2015, in million EUR

Earned premiums (million EUR)	2011	2012	2013	2014	2015*
Total non-life	437	450	508	550	699

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, pages 58, 65, 67, 83, 93; Financial Supervisory Authority, 2015, Annual Report 2014, page 42; Financial Supervisory Authority, 2011, Indemnizatii brute platite, years 2009-2011; Financial Supervisory Authority, 2011, Prime Brute Subscribe, years 2010-2011.

The average premium paid per contract, estimated in Table 131 using data from the insurance association UNSAR, shows an increasing trend between 2012 and 2014, during which average premiums rose by 29%. This is preceded by a drop between 2011 and 2012. It should be noted, however, that there is a very large variation between premiums, as reported by UNSAR members.

Variation in premium prices grew constantly between 2011 and 2014. There is no information, from either statistical sources or from interviews (FSA, APPA-Asigurari, AURSF) about the potential development of these trends in the future, but it is acknowledged in the market that large differences exist in company performance, as evidenced by discrepancies in combined ratios<sup>555</sup>.

Table 131: Average premium paid per contract for non-life insurance products in Romania, 2011-2014 in EUR

Average premium (EUR)	2011	2012	2013	2014
Total non-life	122	110	129	142

Source: UNSAR, 2016, Statistics for years 2011 to 2014. Data was computed by dividing the yearly GWP of each UNSAR member to the number of contracts they sold, and forming a yearly average.

The premium development trend until 2014 was largely consistent with Romania's economic performance over the same period: a spike in 2008, followed by an abrupt decrease thereafter and a slow recovery. This can be noted for the GWP trend and the

<sup>555</sup> Valentin Ciobanu, 2010, Rate de vis ale daunei in asigurari. Available at: <http://www.conso.ro/asigurari/rate-de-vis-ale-daunei>

total earned premiums trend. Interviewed stakeholders (APPA-Asigurari, FSA and AURSF) and national media<sup>556</sup> indicate a tendency in Romania towards the digitalisation of distribution channels, for non-life insurance but also for the rest of the financial sector. It is expected that online sales will constitute the largest distribution channel in the coming years<sup>557</sup>. This is further encouraged by the IDD (Directive 2016/97/EU), as well as the MiFiD II (Directive 2014/65/EU) Directives. One of the most significant effects of these directives in Romania may be the fact that they will apply the same rules for all distribution channels beyond intermediaries (e.g. online websites, tourism agencies, etc)<sup>558</sup>. The FSA has been expanding its online presence to better inform consumers, as well as to better monitor such online distribution channels through activities such as mystery shopping<sup>559</sup>. For instance, the FSA checked how M3PL insurance products were sold online in March 2015, and found that different insurance brokers listed different prices for the same insurance policy at the same insurance firm<sup>560 561</sup>. To better regulate brokers, for instance, the FSA passed Norm 9/2015, which obliges brokers to have a minimum social capital of EUR 33,000 (RON 150,000). Previously, the threshold was 6 times lower. This meant that, of the 552 brokers listed with the FSA in February 2016, only 297 were eligible to carry out their activities<sup>562</sup>.

### Overview of data on claims

Data on the number of claims made and the success rate of claims (e.g. the number of claims paid out of the total number of claims made) **were gathered from the FSA's** annual reports on the yearly claim situation (available for 2014 and 2015). By law (FSA Norm 24/2014<sup>563</sup>), insurance companies must report this information on their website in a standardised format for their overall activity (without distinction between non-life and life products). The table below displays this data.

Table 132: Number of claims made and of claims paid out for non-life insurance products in Romania, 2013-2015

	2013	2014	2015**
Number of claims made	13,295	12,512	9,119
Number of claims paid	9,254*	9,284	5,715
Success rate	70%	74%	63%

\* - Estimated based on the total number of successful claims in the insurance sector (9,380), multiplied by the share of total claims pertaining to the non-life sector (98.66%)

\*\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Sources: Financial Supervisory Authority, 2016, Situatia petitiilor inregistrate la ASF in 2015; Financial Supervisory Authority, 2015, Situatia petitiilor inregistrate la ASF in 2014.

<sup>556</sup> Alison Salka, 2016, Viitorul nostru digital. Available at: <http://www.1asig.ro/Viitorul-nostru-digital-articol-13,90-53612.htm>

<sup>557</sup> Bursa Asigurarilor, 2016, Viitorul RCA sta sub semnul online-ului? Available at: <http://www.bursaasigurarilor.ro/rca/viitorul-rca-sta-sub-semnul-online-ului>

<sup>558</sup> Elizeu Folescu, 2016, Distributia in asigurari in pragul unei reale schimbari? Available at: <http://www.1asig.ro/Distributia-in-asigurari-in-pragul-unei-reale-schimbari-articol-13,90-54556.htm>

<sup>559</sup> Interview with the FSA.

<sup>560</sup> Financial Supervisory Authority, 2015, **Alertă ASF către consumatori privind rezultatele mystery de shopping pentru vânzarea de asigurări de Răspundere Civilă Auto (RCA) în mediul on-line**. Available at: <http://asfromania.ro/consumatori/consumatori-capital/alerte-capital-consumatori/4782-alerta-asf-catre-consumatori-privind-rezultatele-mystery-de-shopping-pentru-vanzarea-de-asigurari-de-raspundere-civila-auto-rca-in-mediul-on-line>

<sup>561</sup> Andreea Radu, 2015, Mystery Shopping pe piata online de asigurari RCA. Afla ce probleme a constatat ASF! Available at: <http://www.1asig.ro/Mystery-Shopping-pe-piata-online-de-asigurari-RCA-Afla-ce-probleme-a-constatat-ASF-articol-3,100-51129.htm>

<sup>562</sup> Andreea Radu, 2016, Consolidare si reasezare pe piata de brokeraj. Available at: <http://www.1asig.ro/Consolidare-si-reasezare-pe-piata-de-brokeraj-articol-13,90-53374.htm>

<sup>563</sup> <http://asfromania.ro/legislatie/legislatie-sectoriala/legislatie-asigurari/legislatie-secundara-csa/norme-csa/399-2014/3276-norma-nr-24-2014-privind-procedura-de-solutionare-a-petitiilor-referitoare-la-activitatea-asiguratorilor-si-brokerilor-de-asigurare>

## Country fiches

As seen in the table above, there has been a continuous drop in the total number of claims in the non-life insurance sector over the period 2013-2015. The success rate slightly improved in 2014, only to decrease by 11 percentage points in 2015.

The total claims paid for all non-life insurance products, displayed in Table 133, shows a peak in pay-outs recorded in 2012, followed by a decrease of 17% until 2015. In previous years, there were sharp drops in both 2010 and 2011. The increase in total claims paid in 2012 affected the average premium paid per contract as previously shown, but is not evident in the total earned premiums previously shown.

Table 133: Total claims paid for non-life insurance products in Romania, 2011-2015, in million EUR

	2011	2012	2013	2014	2015*
Total non-life claims paid	970.25	1,002.07	938.23	920.88	834.04
I. Accident and sickness	2.98	3.18	2.96	N/A	N/A
II. Health	1.78	2.37	2.92	N/A	N/A
III. Land transportation vehicles other than rail	459.39	438.10	394.12	N/A	N/A
IV. Rail transportation	0.01	0.06	0.90	N/A	N/A
V. Aerial transportation	0.85	0.42	1.87	N/A	N/A
VI. Naval transportation	3.33	5.95	4.93	N/A	N/A
VII. Goods in transit, including transported merchandise, luggage and all other goods	2.04	10.40	1.12	N/A	N/A
VIII. Fire and natural calamities	55.14	49.17	46.18	N/A	N/A
IX. Property damage	13.14	18.07	21.05	N/A	N/A
X. Automobile third-party liability	383.32	419.11	430.68	N/A	N/A
XI. Aerial third-party liability	0.00	0.03	-0.03	N/A	N/A
XII. Naval third-party liability	1.06	0.57	1.16	N/A	N/A
XIII. General third-party liability	11.73	13.13	8.16	N/A	N/A
XIV. Credit	27.39	34.13	13.80	N/A	N/A
XV. Guarantees	0.99	1.88	4.28	N/A	N/A
XVI. Financial losses	2.11	0.88	0.44	N/A	N/A
XVII. Judicial protection	0.00	0.00	0.00	N/A	N/A
XVIII. Assistance to people in difficulty	4.92	4.64	4.46	N/A	N/A

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2015, Annual Report 2014; Financial Supervisory Authority, 2015, PRIME BRUTE SUBSCRIBE - ASIGURARI GENERALE LA DATA DE 30.06.2014 (LEI) and same documents for years 2011-2013

The combined ratio for non-life insurance products shows an overall decreasing trend between 2011 and 2013, as indicated in Table 9 of Annex I, mainly based on an improvement of the claims ratio (presented in Table 8 of Annex I), while the expense ratio

remained stable. According to Insurance Europe<sup>564</sup>, 2011 was the first year that the overall non-life insurance combined ratio surpassed 100% in Romania. The drivers of such high combined rates are the third-party liability motor insurance (the combined ratio remained above 120% during 2014 and 2015 except T3 2015 when it reached 118%) and comprehensive motor coverage (whose rate stayed above 110% throughout 2014 and 2015 except in T1 2015 when it was 108%)<sup>565</sup>.

Table 134 describes the combined ratio per type of insurance product class. Information is only available for the three largest insurance product classes, namely III, VIII and X. This information is subsequently reported in sub-sections 6.1.2 and 6.1.3. The information is not available for claims ratio per insurance products, as further explained in the sections on motor insurance section and household insurance.

Table 134: Combined ratio of selected non-life insurance product classes in Romania, 2014-2016, in %, based on their first quarter results

	2014	2015	2016
III. Land transportation vehicles other than rail	113.86%	108.60%	97.55%
VIII. Fire and natural calamities	59.18%	51.13%	57.08%
X. Automobile third-party liability	127.49%	121.33%	101.66%

Source: Financial Supervisory Authority, 2016, Evolution of the insurance market in T1 2016, page 18, table 11. Available at: [http://asfromania.ro/files/Rapoarte/Evolutie\\_piata%20asig\\_%20T1%202016\\_final.pdf](http://asfromania.ro/files/Rapoarte/Evolutie_piata%20asig_%20T1%202016_final.pdf)

One explanation for the high combined ratio in the motor insurance sector (covering third party liability and comprehensive insurance, the two insurance classes with the highest combined ratio) was given by an interview at Millenium Insurance Broker. The interviewee stated that insurance companies cannot predict the extent of costs associated with bodily damage, since courts do not have a unified approach to calculating them (e.g. a lawyer in Vaslui county, a low-income region, estimates the cost of a life at approx. EUR 22,000, while one in Cluj county, a high-income region, estimates it at approx. EUR 132,000). Moreover, many car incidents with high costs are due to professional car drivers, suggesting that stricter vetting rules should be in place for licensing such drivers. Finally, **according to Millenium Insurance Broker, the deficiencies in Romania's road infrastructure are another important factor**<sup>566</sup>.

Another explanation for the low profitability (based on the above mentioned technical results, as well as non-technical factors) **of Romania's insurance sector** was given by a major insurance firm operating in Romania, which stated in a press interview that the economic conditions (stagnant incomes) in the region play a role as does the fact that consumers have ever less trust in insurance firms, due to state investigations and suspicions regarding different insurance firms<sup>567</sup>. Major events such as bankruptcies (e.g. ASTRA Asigurari, Carpatica Asigurari) or regulatory penalties (EUROINS – see below) also decrease consumer trust.

<sup>564</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

<sup>565</sup> Financial Supervisory Authority, 2016, Evolution of the insurance market in T1 2016, page 18, table 11. Available at: [http://asfromania.ro/files/Rapoarte/Evolutie\\_piata%20asig\\_%20T1%202016\\_final.pdf](http://asfromania.ro/files/Rapoarte/Evolutie_piata%20asig_%20T1%202016_final.pdf)

<sup>566</sup> Stefan Prigoreanu, 2016, Interview with 1asig.ro. Available at: <http://www.1asig.ro/VIDEO-Stefan-PRIGOREANU-MIB-Rata-daunei-pe-RCA-este-mare-si-din-cauza-ca-infrastructura-de-drumuri-este-cu-mult-in-urma-altor-tari-din-Europa-de-Est-articol-3,100-54619.htm>

<sup>567</sup> Marius Alexandru Stanciu, 2014, Adrian Marin, Generali: Asiguratorii trebuie sa se concentreze pe client, pe servicii corecte. Available at: <http://www.wall-street.ro/articol/Finante-Banci/177431/adrian-marin-generalii-asiguratorii-trebuie-sa-se-concentreze-pe-client.html>

The combined ratio has been improving in the various insurance product classes, and the FSA specifies that this is due to a reduction in commissions paid from GWP. Commissions paid were reduced from 16.67% in T1 2014 to 13.49% in T1 2016<sup>568</sup>. The table below describes the fall in the share of commissions paid from GWP for the three largest non-life insurance product classes.

Table 135: Commissions paid as a percentage of GWP, first quarter results, 2014-2016, for the three largest non-life insurance product classes

	2014	2015	2016
III. Land transportation vehicles other than rail	12.46%	12.42%	10.50%
VIII. Fire and natural calamities	21.06%	19.95%	13.01%
X. Automobile third-party liability	17.27%	16.37%	14.13%

Source: Financial Supervisory Authority, 2016, Evolution of the insurance market in T1 2016. Available at: [http://asfromania.ro/files/Rapoarte/Evolutie\\_piata%20asig\\_%20T1%202016\\_final.pdf](http://asfromania.ro/files/Rapoarte/Evolutie_piata%20asig_%20T1%202016_final.pdf)

### 6.1.2. Household insurance

#### *Overview of the selected products*

Household insurance, in this study, is composed of two elements: building and content insurance. However, this is not exactly the classification used by the FSA when compiling insurance statistics. According to the product classes in Table 124, household insurance products in Romania belong to class VIII (Fire and natural calamities) and class IX (Property damage).

Building insurance covers damage in case of fire or natural disaster (e.g. flooding, earthquakes), while content insurance covers damage to the goods within the property (e.g. theft, destruction). The mandatory household building insurance covers damage only in case of earthquakes, landslides and flooding, while additional building insurance covers against risks such as fire, thunder, theft, explosions, falling material on the building, storms, sewage overflow, water leakage, vandalism, car collision, animal damage. Content insurance covers risks pertaining to the goods within the property, and insurers are free to combine different risks in the products they offer to clients. Such risks generally relate to theft or damage. In most cases, content insurance is provided in a bundle with building insurance, and goods are covered under the same risks as the building.

The products available for household insurance on the market consist of mandatory **building insurance ("PAD" insurance products, as described in the regulatory environment part of this sub-section)**, and additional insurance for both building and contents. As basic building insurance is mandatory, additional content insurance cover risks in excess of those covered under the basic, mandatory package. Content insurance can either be bundled together with (additional) building insurance, or sold separately. The pricing of insurance products reflects the value of the property. Typically, for building insurance, consumers pay a premium worth 0.1% of the value insured<sup>569</sup>. The sums insured by the mandatory policy PAD (i.e. the maximum amount of compensation) are 10,000 EUR for type A

<sup>568</sup> Financial Supervisory Authority, 2016, Evolution of the insurance market in T1 2016. Available at: [http://asfromania.ro/files/Rapoarte/Evolutie\\_piata%20asig\\_%20T1%202016\\_final.pdf](http://asfromania.ro/files/Rapoarte/Evolutie_piata%20asig_%20T1%202016_final.pdf)

<sup>569</sup> 1Asig.RO, 2015, Polită facultativă de locuință acoperă daunele provocate de catastrofele naturale doar peste limitele de 10.000/20.000 de euro. Available at: <http://www.1asig.ro/Polită-facultativă-de-locuință-acoperă-daunele-provocate-de-catastrofele-naturale-doar-peste-limitele-de-10-000-20-000-de-euro-articol-3,100-52055.htm>



buildings<sup>570</sup> (for a premium of 10 euros / year) or 20,000 EUR for type B buildings<sup>571</sup> (for a premium of 20 euros / year)<sup>572</sup>.

The regulatory environment in household insurance is dictated by the Law 260/2008<sup>573</sup> (republished in 2013 as Law 243/2013, and edited in 2015 through Law 191/2015), which makes it mandatory for every household to have building insurance against earthquakes, **floods and landslides. This mandatory insurance, called "PAD", does not cover the** annexes, fittings and goods within the building. These, as well as any other risks to the building, could be insured through a non-compulsory additional insurance policy.

The first mandatory household insurance policies were issued in July 2010. In December 2010, the Parliament voted to modify the Law 260/2008, stating that owners who had a voluntary insurance policy were not required to also buy a mandatory one. Among other changes in the law that passed in early 2011, the modification revised the buildings that could be insured (e.g. buildings with a number 1 seismic risk cannot be insured)<sup>574</sup>. It also included a deadline in July 2011 for residents to purchase household insurance (the mandatory type or the voluntary one). After this date, local authorities could fine those who had not bought either insurance product. July 2011 was therefore the month with the highest number of policies bought for household insurance. However, as the local authorities did not enforce the fines, many households did not renew their insurance policies in 2012<sup>575</sup>. This led to a 2013 revision of the law, implying that the voluntary insurance would only complement the mandatory insurance, and would pay out only after the mandatory insurance product. In effect, as indicated above, this turned the mandatory insurance into an **"excess" for any voluntary insurance product**. In addition, the 2013 change allowed insurance firms other than those constituting the PAID, a private insurance-reinsurance firm in charge of household insurance products<sup>576 577</sup>. In 2015, the modification through Law 191/2015 implied that voluntary building insurance products can only be bought if the homeowner already has a mandatory building insurance contract<sup>578 579</sup>.

<sup>570</sup> Type A: building with a reinforced concrete, metal or wooden structure or with walls made of stone, burnt bricks or any other materials which had a thermic and/or chemical treatment

<sup>571</sup> Type B: building with walls made of unburnt bricks or any other materials which did not have a thermic and/or chemical treatment

<sup>572</sup> **Financial Supervisory Authority, 2016, Propunerile grupului de lucru privind asigurările obligatorii de locuințe.** Available at: <http://asfromania.ro/consumatori/consumatori-asigurari/asigurari-de-locuinta>

<sup>573</sup> Drept Online, 2013, Legea 260/2008 privind asigurarea obligatorie a locuintelor impotriva cutremurelor, alunecarilor de teren si inundatiilor, republicata 2013. Lege nr. 260/2008 republicata 2013. Available at: [http://www.dreptonline.ro/legislatie/lege\\_asigurarea\\_obligatorie\\_locuinte\\_cutremure\\_alunecari\\_inundatii\\_260\\_2008.php](http://www.dreptonline.ro/legislatie/lege_asigurarea_obligatorie_locuinte_cutremure_alunecari_inundatii_260_2008.php)

<sup>574</sup> AvocatNet.Ro, 2011, Ce modificari s-au adus legii nr. 260/2008 privind asigurarile obligatorii ale locuintelor. Available at: [http://www.avocatnet.ro/content/forum%7CdisplayTopicPage/topicID\\_183776/CE-MODIFICARI-S-AU-ADUS-LEGII-NR-260-2008-PRIVIND-ASIGURARILE-OBLIGATORII-ALE-LOCUINTELORE.html](http://www.avocatnet.ro/content/forum%7CdisplayTopicPage/topicID_183776/CE-MODIFICARI-S-AU-ADUS-LEGII-NR-260-2008-PRIVIND-ASIGURARILE-OBLIGATORII-ALE-LOCUINTELORE.html)

<sup>575</sup> **Marius Alexandru Stanciu, 2015, Aurel Badea, UNSAR: "Fransiza PAD", o "catastrofa" pentru piata de asigurari facultative de locuinta.** Available at: <http://www.wall-street.ro/articol/Finante-Banci/183977/aurel-badea-unsar-fransiza-pad-o-catastrofa-pentru-piata-de-asigurari.html>

<sup>576</sup> OneRCA.RO, 2014, Numarul locuintelor asigurate printr-o polita obligatorie a continuat sa creasca in august 2014. Available at: <https://www.onerca.ro/rca-ieftin/info-casco-ieftin/numarul-locuintelor-asigurate-printr-o-polita-obligatorie-a-continuat-sa-creasca-in-august-2014/>

<sup>577</sup> AvocatNet.Ro, 2013, Legea nr. 243/2013 - modificarea si completarea Legii nr. 260/2008 - asigurarea obligatorie a locuintelor impotriva cutremurelor, alunecarilor de teren si inundatiilor. Available at: [http://www.avocatnet.ro/content/articles/id\\_33899/Legea-nr-243-2013-modificarea-si-completarea-Legii-nr-260-2008-asigurarea-obligatorie-a-locuintelor-impotriva-cutremurelor-alunecarilor-de-teren-si-inundatiilor.html](http://www.avocatnet.ro/content/articles/id_33899/Legea-nr-243-2013-modificarea-si-completarea-Legii-nr-260-2008-asigurarea-obligatorie-a-locuintelor-impotriva-cutremurelor-alunecarilor-de-teren-si-inundatiilor.html)

<sup>578</sup> Boiciuc, Alexandru, 2015, De joi, asigurarea facultativa a locuintei se poate face doar dupa incheierea asigurarii obligatorii. Available at: [http://www.avocatnet.ro/content/articles/id\\_40208/De-joi-asigurarea-facultativa-a-locuintei-se-poate-face-doar-dupa-incheierea-asigurarii-obligatorii.html](http://www.avocatnet.ro/content/articles/id_40208/De-joi-asigurarea-facultativa-a-locuintei-se-poate-face-doar-dupa-incheierea-asigurarii-obligatorii.html)

<sup>579</sup> Law 191/2015. Available at: [http://www.avocatnet.ro/content/articles/id\\_40968/Legea-nr-191-2015-modificarea-Legii-nr-260-2008-asigurarea-obligatorie-a-locuintelor-impotriva-cutremurelor-alunecarilor-de-teren-si-inundatiilor.html](http://www.avocatnet.ro/content/articles/id_40968/Legea-nr-191-2015-modificarea-Legii-nr-260-2008-asigurarea-obligatorie-a-locuintelor-impotriva-cutremurelor-alunecarilor-de-teren-si-inundatiilor.html)

The law is enforced by the FSA, and was made to protect households from natural disasters typical to Romania, such as floods, earthquakes or landslides. A push for such a law was also given by the massive floods<sup>580</sup> in Romania and Moldova in 2008 and in the subsequent **years to 2014, especially in the country's North-East**. Other than this provision, the same laws applicable to the rest of the industry apply to household insurance products.

A particular aspect of this product type is that it is delivered through a private insurance-reinsurance company (PAID), formed through the pooling of resources of 12 private insurance firms in 2009. PAID certifies all mandatory insurance policies issued by insurance firms. It also offers statistics on the product, and a conflict resolution mechanism managed directly by them<sup>581</sup>.

Because the sum insured of the mandatory insurance is often too low to allow homeowners to claim most of their losses in the event of a natural catastrophe, many Romanians also choose a voluntary household insurance. This type of insurance extends the ceiling set by the PAD (i.e. EUR 10,000 or EUR 20,000), and covers other basic risks such as damages due to fire, thunderstorm, explosions and falling material on the insured building<sup>582</sup>. However, insurance firms are free to add any type of coverage to this voluntary household insurance product. Some additional coverages include weather risks (storms, hail), water leakage, vandalism, car collision or animal damage.

It is common practice for banks to require homeowners with a mortgage on the property to have a voluntary household insurance. In addition, whenever households buy home products in instalments, the creditor will require insurance on these goods. **Voluntary insurance often includes third party liability (e.g. if a fire affects the neighbour's house, these damages are not insured under "damage")** with a limited sum insured<sup>583</sup>.

Excess only exists for voluntary household insurance and differs according to the firm and product. For instance, one firm charges a 1% excess for damages caused by earthquakes, but zero on other risks<sup>584</sup>. It is normal for firms to charge 1-5% on their voluntary building and content insurance products for earthquakes. In case a homeowner does not have a mandatory building insurance, but has a voluntary one, the excess is thus 10,000 EUR or 20,000 EUR – this means that the voluntary household insurance only covers damages in excess of what the mandatory insurance would cover<sup>585</sup>. The FSA has considered introducing an excess regarding earthquakes risks into the mandatory household insurance product to reduce compensation for minor damages, but none has been included at the moment<sup>586</sup>. Other experts in the sector have advocated for such an excess in the household insurance sector as a solution to properly disperse risk by increasing the insurance density<sup>587</sup>.

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<sup>580</sup> [http://europa.eu/rapid/press-release\\_IP-08-1243\\_en.htm](http://europa.eu/rapid/press-release_IP-08-1243_en.htm)

<sup>581</sup> PAID, 2016, Reclamatii. Available at: <https://www.paidromania.ro/reclamatii#solutionareamiabila>

<sup>582</sup> AsigurareaLocuintelor.Ro, 2016, Riscuri acoperite de asigurarea facultativa. Available at: [http://www.asigurarealocuintelor.ro/169\\_riscuri-acoperite-de-asigurarea-facultativa.html](http://www.asigurarealocuintelor.ro/169_riscuri-acoperite-de-asigurarea-facultativa.html)

<sup>583</sup> AsigurareaLocuintelor.Ro, 2016, Riscuri acoperite de asigurarea facultativa. Available at: [http://www.asigurarealocuintelor.ro/169\\_riscuri-acoperite-de-asigurarea-facultativa.html](http://www.asigurarealocuintelor.ro/169_riscuri-acoperite-de-asigurarea-facultativa.html)

<sup>584</sup> 1Asig.RO, 2010, Asigurarea completa a locuintei de la OMNIASIG VIENNA Insurance Group. Available at: <http://www.1asig.ro/Asigurarea-completa-a-locuintei-produsul-saptamanii-2,72,76-263-40.htm>

<sup>585</sup> 1Asig.RO, 2015, Polita facultativa de locuinta acopera daunele provocate de catastrofele naturale doar peste limitele de 10.000/20.000 de euro. Available at: <http://www.1asig.ro/Polita-facultativa-de-locuinta-acopera-daunele-provocate-de-catastrofele-naturale-doar-peste-limitele-de-10-000-20-000-de-euro-articol-3,100-52055.htm>

<sup>586</sup> Financial Supervisory Authority, 2016, Propunerile grupului de lucru privind asigurările obligatorii de locuințe. Available at: <http://asfromania.ro/consumatori/consumatori-asigurari/asigurari-de-locuinta>

<sup>587</sup> Andreea Radu, 2014, Aurel Badea: In cazul unui dezastru natural, cele mai multe daune vor veni din zona asigurarilor de locuinte. Available at: <http://www.1asig.ro/Aurel-BADEA-In-cazul-unui-dezastru-natural-cele-mai-multe-daune-vor-veni-din-zona-asigurarilor-de-locuinte-articol-3,100-50004.htm>



The tax applicable for household insurance products is the same as that applicable for all non-life insurance products<sup>588</sup>.

#### *Overview of the national market*

Building insurance for households is amalgamated within class VIII along with all other types of properties (e.g. office buildings, schools, factories, etc.). Therefore, the FSA's annual report in 2014 differentiates household building insurance (composed of mandatory and voluntary insurance) from other class VIII products. In 2014, household building insurance made up 49.82% of all class VIII insurance GWP, and FSA's 2014 report gives an overview of this product's evolution in GWP and claims paid over the period 2011-2014. This is useful to compile the statistics indicated in this section (see tables below). However, when information on household building insurance is not available, data on the overall class VIII performance is taken as a proxy.

Concerning content insurance, there is no distinction between household content or other content within properties, therefore the entire class IX pertaining to this product has been taken as an indication of household content insurance products trends.

The number of contracts held for household insurance products is depicted in the table below. There was a marked decrease in such contracts between 2011 and 2012, mostly due to a 24.3% drop in voluntary building insurance contracts. Between 2012 and 2014, the overall number of household insurance contracts decreased, due again to the drop in voluntary building insurance contracts, even though there was a strong increase in the mandatory building insurance contracts held. This strong increase in mandatory building insurance contracts may be due to the fact that, starting with July 24<sup>th</sup>, 2013, all licensed insurance firms could issue such products<sup>589</sup>. Before this date, only 12 insurance firms grouped under the Pool Against Natural Disasters (PAID)<sup>590</sup> private insurance-reinsurance firm were allowed to issue it.

Table 136: Number of contracts held for household insurance products in Romania

Number of contracts	2011	2012	2013	2014	2015*
Household	5,052,691	3,857,432	3,417,438	3,412,895	N/A
• Building	4,966,876	3,656,041	3,199,083	3,322,325	3,377,066
◦ Mandatory	574,229	331,131	736,318	1,491,329	1,590,954
◦ Voluntary	4,392,647	3,324,910	2,462,765	1,830,996	1,786,112
• Content	85,815	201,391	218,355	90,570	N/A

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 83; UNSAR, 2016, Statistics for years 2011 to 2014.

The number of contracts sold in the household insurance sector, shown in Table 137, follows a similar trend to that of contracts held illustrated in Table 136. Between 2012 and 2014 there was a 4.5-fold increase in the number of mandatory building insurance contracts sold, while the voluntary contracts sold decreased by 38%. A representative of UNSAR stated that the 2013 law revision turned the mandatory household insurance into an "excess" for other types of insurance (see below), and therefore made voluntary household insurances less appealing, and caused large drops in contracts and GWP for the

<sup>588</sup> Insurance Europe, 2016, Indirect Taxation on Insurance Contracts in Europe. Available at: <http://www.insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

<sup>589</sup> According to Law 243/2013, amending Law 260/2008.

<sup>590</sup> PAID is an insurance firm established in 2009 by 12 other insurance firms. PAID is legally responsible for managing the system of obligatory household building insurances in Romania.

latter. At the same time, the appeal of mandatory insurance contracts increased, as can be seen in Table 136 or in Table 137. According to the expert, this change led to a decrease in the overall household insurance market (see also the table below)<sup>591</sup>.

Overall, the number of building insurance contracts sold contracted by 38% over the 2011-2015 period. In this same period, the number of mandatory contracts sold almost reached an equal level to the number of voluntary contracts sold, after an 8.2-fold difference between the two in 2011.

Table 137: Number of contracts sold for household insurance products in Romania

Number of contracts	2011	2012	2013	2014	2015*
Building	5,321,509	3,675,404	4,017,034	3,548,537	3,284,416
<i>Mandatory</i>	574,229	331,131	736,318	1,491,329	1,590,954
<i>Voluntary</i>	4,747,280	3,344,273	3,280,716	2,057,208	1,693,462
Content	N/A	N/A	N/A	N/A	N/A

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 83.

Between 2011 and 2014, the density (premiums per insured) for household insurance fluctuated from 14 EUR to 13 EUR, which is an increase compared to the period before 2011 but represents the lowest household insurance density in the EU. The penetration rate (premiums to GDP) of household insurance remained stable at 0.2% in the period 2011-2014<sup>592</sup>.

Even though the law obliges residents to insure their households, only 18% held a mandatory household building insurance at the end of 2014, and 20% held a voluntary household building insurance<sup>593</sup>. Such insurance products are particularly lacking in rural areas (according to UNSAR, the penetration rate in rural areas for both insurance types in 2014 was 10.1% in rural areas and 28.2% in cities). Those who do not have such an insurance are liable to a fine of up to EUR 112 (RON 500) according to the law<sup>594</sup>. This low penetration rate puts Romania on the 4<sup>th</sup> place in the region according to the percentage of insured households (after Poland, Czech Republic and Hungary, where 50-80% of all households are insured)<sup>595</sup>.

### Overview of premiums

The GWP for household insurance, broken down by type of product (building and content) is displayed in Table 138. **Under "building", the mandatory and voluntary products explained above are broken down.**

<sup>591</sup> Marius Alexandru Stanciu, 2015, Aurel Badea, UNSAR: "Fransiza PAD", o "catastrofa" pentru piata de asigurari facultative de locuinta. Available at: <http://www.wall-street.ro/articol/Finante-Banci/183977/aurel-badea-unsar-fransiza-pad-o-catastrofa-pentru-piata-de-asigurari.html>

<sup>592</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

<sup>593</sup> Marius Alexandru Stanciu, 2015, Aurel Badea, UNSAR: "Fransiza PAD", o "catastrofa" pentru piata de asigurari facultative de locuinta. Available at: <http://www.wall-street.ro/articol/Finante-Banci/183977/aurel-badea-unsar-fransiza-pad-o-catastrofa-pentru-piata-de-asigurari.html>

<sup>594</sup> Article 30(2) of Law 243/2013. Available at: <http://asfromania.ro/legislatie/legislatie-sectoriala/legislatie-asigurari/legislatie-primara-csa/2637-legea-nr-2432013>

<sup>595</sup> Daniela Ghetu, 2016, Catastrofele – un risc inca subasigurat. Available at: <http://www.1asig.ro/Catastrofele-un-risc-inca-subasigurat-articol-13,90-54667.htm>

Table 138: GWP for household insurance products in Romania, 2011-2015, million EUR

Sector	GWP per product (million EUR)				
	2011	2012	2013	2014	2015*
Household	193.0	169.0	174.7	146.6	140.0
• <i>Building</i>	155.9	132.7	136.1	108.5	104.0
◦ <i>Mandatory</i>	8.2	5.4	13.5	28.9	29.8
◦ <i>Voluntary</i>	147.7	127.3	122.7	79.6	74.2
• <i>Content</i>	37.2	36.3	38.5	38.2	36.0

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, pages 82.

As can be seen above, household insurance GWP displays a decreasing trend over the studied period, with a slight rise in 2013. Overall, household insurance GWP lost 27% of its GWP between 2011 and 2015. This is mostly due to a two-fold decrease in voluntary building insurance products, even though mandatory insurance recorded a 3.6-fold increase over the same period. The growth in the mandatory insurance GWP may be due to the 2013 regulatory changes which expanded the number of firms able to issue such products. The overall trend does not follow that of all non-life insurance GWP shown in Table 129. As a percentage of the entire non-life insurance market, household insurance decreased from 13.7% in 2011 to 9.1% in 2015.

The average earned premium for household insurance products follows the trend of the GWP illustrated in Table 138: a decrease of 38.1% is observed for building insurance earned premium, while content insurance earned premiums rose by 16.7%. Given the difference in the number of contracts, as well as in GWP (see Table 138), building insurance earned premiums have a higher weight in the market, and therefore the decrease in GWP is reflected by the higher decrease in building insurance premiums compared to the increase in content insurance premiums.

Table 139: Total earned premiums for household insurance products in Romania, 2011-2015, in million EUR

(million EUR)	2011	2012	2013	2014**	2015*
Household	168.9	133.7	140.5	122.1	N/A
• Building	144.9	115.4	123.0	94.1	89.7
◦ <i>Mandatory</i>	8.1	5.4	13.4	28.2	29.0
◦ <i>Voluntary</i>	136.8	110.0	109.6	65.9	60.7
• Content	24.0	18.2	17.5	28.0	N/A

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

\*\* - Data for Content insurance in 2014 was estimated based on the results in the first 6 months multiplied by two.

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, pages 58, 65, 67, 83, 93; Financial Supervisory Authority, 2015, Annual Report 2014, page 42; Financial Supervisory Authority, 2011, Indemnizatii brute platite, years 2009-2011; Financial Supervisory Authority, 2011, Prime Brute Subscrise, years 2010-2011.

The average premium paid per contract for building insurance, as indicated in Table 140, features a peak of 43 EUR/contract in 2013, after which the average premium paid returns in 2015 to its 2011 value (i.e. EUR 31/contract). Despite this, the average premium paid for both mandatory and voluntary building insurance contracts increased over this period. This is not reflected in the overall trend because their weights changed in the composition of the overall trend, as indicated in Table 136. Content insurance average premiums display a strong decrease of 54% between 2011 and 2012, as well as a strong increase of 140% between 2013 and 2014.

Table 140: Average premium paid per contract for household insurance products in Romania, 2011-2014<sup>596</sup> in EUR

(EUR)	2011	2012	2013	2014	2015*
• Building	31	36	43	33	31
o Mandatory	14	16	18	19	19
o Voluntary	34	38	50	43	42
• Content	387	178	176	421	N/A

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, *Evolutia Pietelor Financiare Nebancare in anul 2015*, page 82; UNSAR, 2016, *Statistics for years 2011 to 2014*.

The development of the premium level, as seen in the tables in this section, has been rather stable for building insurance, while fluctuating heavily for content insurance. There are no statistics on the future tendencies of this trend, and stakeholders interviewed (FSA, AURSF, APPA-Asigurari and UNISCAR<sup>597</sup>) could not comment on upcoming trends of household premiums. This may be because of the regulatory uncertainties (as indicated above, the FSA is considering<sup>598</sup> to introduce an excess in the mandatory insurance scheme, while the industry association UNSAR also asks for such a measure<sup>599</sup>), market uncertainties (one of the largest insurance firms in Romania, ASTRA Asigurari, went bankrupt in end 2015, while another major firm, Carpatica Asig, had its mandatory household insurance license revoked<sup>600</sup>) or technological developments.

### Overview of data on claims

The number of claims made and the success rate of claims (i.e. number of claims paid out) for the household insurance sector are displayed in Table 141. This shows that the number of claims received dropped for building insurance products by 40% between 2013 and 2015, but their success ratio dropped from 34% in 2014 to 28% in 2015.

<sup>596</sup> Calculated as the division between the total number of contracts held and the GWP. For content insurance, it was calculated as the GWP issued by UNSAR insurance firms for product class IX, divided by the total number of contracts held for this product class. Figures were converted from Romanian Leu (RON) to EUR using end-of year exchange rates from the European Central Bank: 1 EUR = 4.471 RON (2013) and 1 EUR = 4.38 RON.

<sup>597</sup> UNISCAR is the National Union of Insurance Intermediaries and Consultants (<http://www.uniscar.ro/>), an organisation made of 12 firms with the objective of raising awareness on the role played by insurance intermediaries and consultants.

<sup>598</sup> Camelia Sisea, 2013, *Fransiza sau cum te despagubesti singur. Modificari la polita obligatorie a casei*. Available at: <http://www.ziare.com/bani/asigurari/fransiza-sau-cum-te-despagubesti-singur-modificari-la-polita-obligatorie-a-casei-1263963>

<sup>599</sup> Marius Alexandru Stanciu, 2015, *Aurel Badea, UNSAR: "Fransiza PAD", o "catastrofa" pentru piata de asigurari facultative de locuinta*. Available at: <http://www.wall-street.ro/articol/Finante-Banci/183977/aurel-badea-unsar-fransiza-pad-o-catastrofa-pentru-piata-de-asigurari.html>

<sup>600</sup> PAID, 2016, *Main Page*. Available at: <https://www.paidromania.ro/>

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Table 141: Number of claims made and success rate of claims for household insurance products in Romania, 2013-2015<sup>601</sup>

	Received			Settled favourably to consumers		
	2013	2014	2015	2013	2014	2015
Household	787	595	473	N/A	204 (34%)	131 (28%)

Source: Financial Supervisory Authority (2015). Annual Report 2014; Financial Supervisory Authority, 2016, Situatia Petitiilor Inregistrate la ASF in anul 2015.

The total claims paid for the household insurance products is displayed in Table 142. **This data, retrieved from FSA's and UNSAR's statistics databases, show significantly more fluctuation in total claims paid for content insurance than for building insurance.** Building insurance claims paid were stable in 2013 and 2014. Over the whole period, a rise in claims paid for mandatory building insurance products can be noted and a decrease in those for voluntary insurance products.

Table 142: Total claims paid for household insurance products in Romania, 2011-2015, in million EUR

(million EUR)	2011	2012	2013	2014	2015*
Household					
• Building	10.95	17.31	13.15	14.37	14.29
◦ <i>Mandatory</i>	0.08	0.06	0.11	0.67	0.86
◦ <i>Voluntary</i>	10.87	17.25	13.04	13.70	13.43
• Content	13.14	18.07	21.05	N/A	N/A

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, Evolutia Pietelilor Financiare Nebancare in anul 2015, page 82; UNSAR, 2016, Statistics for years 2011 to 2014.

The table below presents the evolution of claims ratios for household insurance products in the period 2011-2014. Claims ratios for building insurance doubled during this period, to reach 15.3%. Such low ratios are linked to very low claims paid, driven mostly by the voluntary building insurance which covers more frequent risks (such as fire, water, hail) than the mandatory one. The claims ratio for content household insurance more than doubled between 2011 and 2013, reaching 120.3% in 2013, due to an increase in claims pay outs.

Table 143: Claims ratios for household insurance products in Romania (in %)

Household	2011	2012	2013	2014
Building	7.6	15	10.7	15.3
◦ <i>Mandatory</i>	1	1.1	0.8	2.4
◦ <i>Voluntary</i>	7.9	15.7	11.9	20.8
Content	54.8	99.3	120.3	N/A

Source: calculation based on claims paid divided by earned premiums

The table below presents the evolution of claims ratios and combined ratios for the whole household insurance category (class VIII). As presented also in the table above, claims ratios for household insurance remained very low between 2011 and 2014, increasing

<sup>601</sup> The statistics refer to the entire product class VIII (Fire and natural calamities).

slowly up to 26.41% in 2014. The combined ratio fluctuated in the same period, to reach 68.74% in 2014.

Table 144: Claims ratio and combined ratio for household insurance in Romania (in %)

	2011	2012	2013	2014
Claims ratio	16.19	22.15	25.15	26.41
Combined ratio	62.61	60.0	68.37	68.74

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 68

### 6.1.3. Motor insurance

#### *Overview of the selected products*

**Motor insurance in Romania is divided into third party liability insurance (class X in FSA's classification), which is compulsory by Law 136/1995, and additional insurance (class III in FSA's classification). Third party liability insurance is called RCA ("răspundere civilă auto", or motor vehicle liability), while comprehensive insurance (made of RCA and additional insurance) is called CASCO. These are the two products available on the market. The RCA policy conditions are standard, as set by the law, while those for CASCO depend on variables such as the insurance firm, type of car, excess and so forth. The difference between the two is that the RCA insurance covers the damage incurred to third parties, while the CASCO insurance covers the damage inflicted upon the insurer's own vehicle. By order 5/2010 of the Commission for Supervising Insurance Markets (predecessor of the FSA), the third-party liability insurance covers costs related to the following:**

- Physical injuries or death, including damages not related to the patrimony;
- Material damage;
- Damage due to the lack of usage of the damaged vehicle;
- Court fees of the person whose car was damaged.

The same order also specifies what cannot be covered under a third-party liability product. These are damages related to:

- Accidents in which the driver of the vehicle causing the accident is not legally liable due to force majeure or to exclusive guilt assigned to the victim or a third party;
- Damages incurred by the vehicle which caused the accident;
- Damages done to goods belonging to individuals or legal entities by a RCA-insured vehicle property of the same individual or legal entity, and driven by a person appointed by the same individual or legal entity;
- Damages occurred without the parties being able to prove the validity of the RCA policy, or for which the RCA insurer is not liable;
- Part of the damages which exceed the sums insured through the RCA policy, incurred in the same collision and irrespective of the number of people affected and the number of people responsible for producing said damages;
- Fines of any sort and court fees for the owner or driver of the insured vehicle and responsible for producing the damage;
- Costs incurred during legal proceedings by the owner or driver of the insured vehicle and responsible for producing the damage, even though the court settled the civil aspect of the case;

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- Costs which the driver of the vehicle responsible for the accident is obliged to pay to the owner or user that entrusted them with the insured vehicle in order to cover the costs of repairing the vehicle;
- Damages to the goods transported if a contractual arrangement existed between the owner/driver of the car and the persons incurring the damage;
- Damages incurred by people or goods within the vehicle which caused the accident, if the insurance firm can prove that the people incurring damages were aware that the vehicle was stolen;
- Damages produced by devices mounted on the vehicle, when the vehicle was used as a work machinery;
- Damages incurred by accidents occurred during loading and unloading operations, which constitute professional risks;
- Damages pertaining to the transport of dangerous substances (radioactive, ionising, inflammable, explosives, corrosive, combustible) which determined or worsened the damage;
- Damages caused by using the vehicle during a terrorist attack or war situation, if the event is directly linked to the said attack or war situation;
- Claims resulting from the devaluation of assets after repair procedures.

The CASCO insurance covers damages due to accidents (e.g. collisions, overturn, sliding, scratches, falling in water or ditches, damage due to the falling of objects on the vehicle, vandalism, fire, thunder, explosions, flooding, earthquakes, avalanches) or theft (of the vehicle or parts thereof).

The maximum sum insured for third-party liability insurance, set by the FSA in 2012 according to EU Directive 2009/103/EC, is EUR 1 million for material damage and EUR 5 million for physical injuries. Such claims must be honoured regardless of where the accident occurred (i.e. public roads, private roads, buildings or other spaces)<sup>602</sup>. In the **case of the comprehensive motor insurance (CASCO), the insured sum is either the car's purchase value based on a receipt (for new cars), or the amount estimated by the insurer based on a catalogue of prices. Second-hand cars, however, cannot be insured for the value of the second-hand purchase agreement**<sup>603</sup>.

The third-party liability premium is not set by law, and depends on various factors, such as **the car owner's driving experience, the car's manufacturing year, engine power, number of passenger seats, brand, type of fuel, intended use (i.e. as taxi, corporate car, personal car, etc) or chassis type**<sup>604</sup>. In October 2016, however, the FSA approved a regulatory proposal which would impose a calculation method for the maximum premium that insurers can charge for mandatory motor third-party liability products. The proposal would use aggregate market data on risk exposure and damage claims in 2013-2015, but also the number and cost of claims in 2010-2016 to identify trends. The method will also take into account the cost rate of administrative expenses in the last three years, and the **drivers' previous claims history**.

Driving experience influences the size of the premium for both third-party liability and comprehensive motor insurance products. There is no rule concerning the driving experience, but a bonus-malus system put in place by the FSA links the premium charged

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<sup>602</sup> CONSO, 2016, Ce limite de despagubire au politele RCA. Available at: <http://www.conso.ro/ghid/asigurari-rca/ce-limite-de-despagubire-au-politele-rca>

<sup>603</sup> Cascoleftin.Ro, 2016, Suma asigurata. Available at: <http://www.casco-ieftin.ro/casco/suma-asigurata>

<sup>604</sup> Information obtained based on the data required by an online price comparison tool for third party liability products, available at: <https://www.rca-ieftin.ro/>



**to the car owner's claims history**<sup>605</sup>. The system consists of a neutral risk class, 14 low-risk classes and eight high-risk classes, which are used by insurers to calculate the premium. A driver with no insurance history is charged according to the neutral risk class B0. Every six months during which no accident is recorded, the clients climb one risk class compared to where they started. In case a driver has an accident in one year, he/she is relegated four classes down from where he/she was before. If two accidents occur, they are relegated by 7 classes, and if three accidents occur, they are relegated by 8 classes. Thus, if a driver is involved in three accidents, he/she must pay double the premium for the next month. If they had no accident for seven consecutive years (thus reaching the highest low-risk class), they will pay 50% less than the neutral B0 class<sup>606</sup>.

Excess is not required by law, and insurance firms may decide to impose one or not. In general, insurance firms offer both percentage-based or flat rate excess in their policies. For comprehensive motor insurance products (CASCO), insurers offer an excess such as 10-25% of the damage, EUR 45/claim (RON 200) or EUR 90/claim (RON 400) depending on the type of damage, or 30% of the sum insured<sup>607</sup>.

Large public or private entities such as ROMGAZ<sup>608</sup>, ENGIE<sup>609</sup> or the Romanian Post<sup>610</sup> tend to select comprehensive motor insurance products (CASCO) without excess. During an interview, a representative from CertAsig (insurance firm) noted that zero excess on comprehensive motor insurance products is not sustainable in the long run (i.e. insurance companies lose money through such practices)<sup>611</sup>.

The tax applicable to motor insurance products is larger than the one for general non-life insurance products. In addition to the 1.7% on the premium (general non-life insurance tax), a tax on third party liability products is applied. This consists of 2% of earned premiums as a contribution to the Street Victims' protection Fund, a further 2% as a contribution to the financial structure of the National Bureau and 1% as contribution for the CEDAM basis functioning, development and maintenance<sup>612</sup>.

The **Street Victim's** Protection Fund is a non-profit professional association composed of the insurance firms which are licensed to sell M3PL insurance products in Romania. The Fund has three functions:

- a) it compensates pedestrians who suffered damage due to a collision with an uninsured vehicle,
- b) it provides information to street victims on the vehicle responsible for the incident, the address of the insurance firm responsible for paying out claims or the number of the insurance policy of the vehicle, and

<sup>605</sup> Financial Supervisory Authority, 2016, Asigurari auto. Available at: <http://asfromania.ro/consumatori/consumatori-asigurari/asigurrari-auto>

<sup>606</sup> CONSO, 2016, Cum functioneaza sistemul bonus-malus? Available at: <http://www.conso.ro/ghid/asigurari-rca/cum-functioneaza-sistemul-bonus-malus>

<sup>607</sup> I-Asigurare.Ro, 2013, Ce fransize au asiguratorii la CASCO. Available at: <https://www.i-asigurare.ro/blog/ce-fransize-au-asiguratorii-la-casco/>

<sup>608</sup> Andreea Radu, 2016, ROMGAZ vrea sa cumpere asigurari Casco si property in valoare de 1,37 milioane de lei. Available at: <http://1asig.ro/ROMGAZ-vrea-sa-cumpere-asigurari-Casco-si-property-in-valoare-de-1-37-milioane-de-lei-articol-3,100-54653.htm>

<sup>609</sup> Andreea Radu, 2016, ENGIE Romania are un buget de peste 4 milioane lei pentru asigurari RCA si Casco. Available at: <http://1asig.ro/ENGIE-Romania-are-un-buget-de-pest-4-milioane-lei-pentru-asigurari-RCA-si-Casco-articol-3,100-53756.htm>

<sup>610</sup> Andreea Radu, 2016, Posta Romana cumpara polite CASCO de la ASIROM cu peste un milion de lei. Available at: <http://1asig.ro/Posta-Romana-cumpara-polite-CASCO-de-la-ASIROM-cu-pest-1-milion-de-lei-articol-3,100-53989.htm>

<sup>611</sup> 1Asig.RO, 2014, Care au fost esecurile pietei in 2013? Available at: <http://1asig.ro/Care-au-fost-esecurile-pietei-in-2013-articol-3,100-48082.htm>

<sup>612</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>



- c) it acts as a balancing institution in the compensation systems between Romanian and foreign citizens.

The National Bureau of Insurers of Motor Vehicles in Romania is a professional association made up of all insurance firms licensed to sell third party motor liability insurance **products in Romania and which are allowed to issue a "Green Card" for cross-border motor insurance**. It is composed of 16 insurance firms, and it is regulated by Article 25(3) of Law Nr 32/2000. The Bureau has two functions:

- a) It assumes responsibility for handling and processing claims for damages resulting from incidents involving vehicles registered abroad that were driving in Romania, and
- b) **It guarantees the motor liability insurance documents ("Green Card") that its members release to their clients.**

The CEDAM is a database with all the compulsory M3PL insurance policies sold in Romania. The database is managed by the FSA, and allows users to check insurance policies and retrieve the name of the insurance firm and the claims made on them since 2008.

#### *Overview of the national market*

The largest two firms for motor insurance sales are Astra<sup>613</sup> and Asirom<sup>614</sup>. However, Astra declared bankruptcy in December 2015, and is now (mid 2016) in the process of judicial liquidation<sup>615</sup>.

The market concentration is similar to the one presented for the general non-life insurance market. 21 companies operate in the motor market in Romania, a number that stayed the same in 2013 and 2014, while it used to be 26 in 2010<sup>616</sup>. 10 firms have GWPs of over 100 million EUR, while the other players are (much) smaller. The table below illustrates the discrepancies between the motor insurance GWP of the insurance firms part of the UNSAR group.

Table 145: Ranking of UNSAR insurance firms according to their GWP for motor insurance products, divided according to third party liability and additional premium for comprehensive cover, 2014, in EUR millions

Nr	Company	GWP (EUR millions)		
		Third party liability	Additional premium for comprehensive cover	Total motor
1	Astra	24.89	108.62	133.51
2	Omniasig	58.73	61.56	120.29
3	Carpatica Asig	5.71	110.19	115.90
4	Allianz Tiriatic	53.75	51.81	105.56
5	Euroins	2.90	101.98	104.88
6	UNIQA	59.64	35.69	95.33

<sup>613</sup> <https://www.astrasig.ro/>

<sup>614</sup> <http://www.asirom.ro/>

<sup>615</sup> <https://www.astrasig.ro/>

<sup>616</sup> Insurance Europe (2016). European Insurance Industry Database. Retrievable at: <http://www.insuranceurope.eu/european-insurance-industry-database>

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Nr	Company	GWP (EUR millions)		
		Third party liability	Additional premium for comprehensive cover	Total motor
7	Groupama	60.62	28.76	89.38
8	Asirom	20.64	59.39	80.04
9	Generali	26.59	9.99	36.58
10	Garanta	2.29	0	2.29
11	Fata Asigurari	0.65	0	0.65
12	Asito Kapital	0.61	0	0.61
13	Certasig	0.26	0	0.26
14	Gothaer	0	0.25	0.25
15	Grawe	0	0	0

Source: UNSAR, 2016, Statistics for years 2011 to 2014.

The number of contracts held in the motor insurance market is displayed in the table below. As approximations, the numbers are those provided by the largest trade association in the field, UNSAR, gathering input from the largest insurance firms, which together account for about 90% of all GWP in Romania. The table shows that there was a peak in contract numbers in 2012, triggered by the rise in third-party liability contracts, after which the number decreased by 15.6% and remained relatively stable in 2013 and 2014. No information, however, is available for the number of contracts sold in a given year.

Table 146: Approximate number of contracts held for motor insurance products in Romania, 2011-2015

Number of contracts	2011	2012	2013	2014	2015
Motor	5,145,682	5,275,583	5,210,206	5,422,679	N/A
• Third-party liability	4,184,632	4,325,404	4,399,068	4,602,825	4,743,093
• Additional premium for comprehensive cover	961,050	950,179	811,138	819,854	N/A

Sources: UNSAR, 2016, Statistics for years 2011 to 2014; Financial Supervisory Authority, 2016, Evolutia Pietei de asigurari in Trimestrul I 2016, page 30.

In early 2016, the FSA released statistics<sup>617</sup> showing that 77% (or 3,425,001) of third-party liability contracts held in 2015 were Business-to-Consumers (contracted by

<sup>617</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 77. Available at: [http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanzare%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanzare%202015_site.pdf)

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physical persons). In the first quarter of 2016, 77.4% (or 3,527,480) of them were Business-to-Consumers<sup>618</sup>.

The number of contracts sold is larger for third-party liability than the number of contracts held, as shown in the next table. However, data on the number of contracts sold is only available for third-party liability. In the first quarter of 2016, 75.8% of contracts sold (or 1,586,031) were Business-to-Consumers<sup>619</sup>, while in 2015 78.8% of third-party liability contracts (1,544,028) sold were Business-to-Consumers<sup>620</sup>.

Table 147: Number of contracts sold for motor insurance products in Romania, 2011-2015

Number of contracts	2011	2012	2013	2014	2015
Third-party liability	6,400,066	6,779,620	6,901,857	7,141,794	7,314,599
Additional premium for comprehensive cover	N/A	N/A	N/A	N/A	N/A

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 77.

Motor insurance density increased from 44 EUR in 2011 to 50 EUR in 2014. Motor insurance penetration remained stable at 0.7% during the same period<sup>621</sup>.

### Overview of premiums

The GWP for motor insurance products decreased in 2011 and 2012, but grew in the following three years, as Table 148 shows. The rebound is due to third-party liability (RCA) products, whose GWP have slowly increased over the whole period. Products for additional comprehensive insurance, however, decreased between 2011 and 2014, by 20% over that period.

Table 148: GWP for motor insurance products in Romania, 2011-2015.

(million EUR)	2011	2012	2013	2014	2015*
Motor	943.35	912.08	952.40	1,023.17	1,100.06
• Third-party liability	477.41	480.83	550.59	638.93	727.02
• Additional premium for comprehensive cover	465.95	431.25	401.81	384.24	373.04

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2015, Evolutia Pietelor Financiare Nebancare in anul 2015, page 58. Financial Supervisory Authority, 2011, Prime Brute Subscrie Anul 2011.

<sup>618</sup> Financial Supervisory Authority, 2016, Evolutia Pietei de asigurari in Trimestrul I 2016, page 31. Available at: [http://asfromania.ro/files/Rapoarte/Evolutie\\_piata%20asig\\_%20T1%202016\\_final.pdf](http://asfromania.ro/files/Rapoarte/Evolutie_piata%20asig_%20T1%202016_final.pdf)

<sup>619</sup> Financial Supervisory Authority, 2016, Evolutia Pietei de asigurari in Trimestrul I 2016, page 31. Available at: [http://asfromania.ro/files/Rapoarte/Evolutie\\_piata%20asig\\_%20T1%202016\\_final.pdf](http://asfromania.ro/files/Rapoarte/Evolutie_piata%20asig_%20T1%202016_final.pdf)

<sup>620</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 77. Available at: [http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanicare%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanicare%202015_site.pdf)

<sup>621</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceurope.eu/european-insurance-industry-database>

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The total earned premium for motor insurance products displays a more unstable trend than the GWP, as Table 149 indicates. The third-party liability insurance slightly decreased between 2011 and 2012, but grew considerably in the following three years. Total earned premium increased by 273.9% over the 2011-2015 period. The table shows a rapid growth in earned premiums of both third-party liability and comprehensive cover starting in 2013. Between 2013 and 2015, earned premium grew by 101.5% for third-party liability and by 160% for comprehensive cover.

Table 149: Total earned premiums for motor insurance products in Romania, 2011-2015, in EUR millions

(million EUR)	2011	2012	2013	2014	2015*
Motor	100.60	93.88	175.74	276.15	376.19
• Third-party liability	94.06	84.21	138.11	213.58	278.38
• Additional premium for comprehensive cover	6.53	9.68	37.63	62.58	97.81

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2015, Evolutia Pietelor Financiare Nebancare in anul 2015. Financial Supervisory Authority, 2011, Indemnizatii brute platite Anul 2011.

The average premium paid per contract displays a more stable trend than total earned premiums, at least for the period 2011-2014 indicated in Table 150. The average premium for third-party liability contracts grew continuously over the 2011-2015 period, while the average premium for comprehensive cover dropped in 2012 and 2014.

Table 150: Average premium per contract for motor insurance products in Romania, 2011-2015 in EUR

(EUR)	2011	2012	2013	2014	2015
Motor	582	555	601	591	N/A
• Third-party liability	103	107	120	132	145
• Additional premium for comprehensive cover	479	448	481	459	N/A

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015; UNSAR, 2016, Statistics for years 2011 to 2014. Data was computed by dividing the yearly GWP of each UNSAR member to the number of contracts they sold, and forming a yearly average.

According to FSA statistics<sup>622</sup>, B2C third-party liability contracts have a lower average premium than private companies (B2B). The difference has been increasing between 2011 (2.28 times lower) and 2015 (2.88 times lower).

The development of the premium, as seen in the tables in this section, was more stable for third-party liability products, while fluctuating more heavily for additional cover insurance. There are no statistics on the future tendencies of this trend, and the interviewed stakeholders (APPA-Asigurari, AURSF, FSA and UNISCAR) declined to comment on upcoming trends in motor premiums. In a press interview, the CEO of a large insurance firm present in Romania stated at the end of 2014 that comprehensive insurance policies will need to focus on gaining customer trust through increasing the quality of their products if they want their sales to grow. Concerning third-party liability, the same

<sup>622</sup> Financial Supervisory Authority, 2015, Evolutia Pietelor Financiare Nebancare in anul 2015, page 78.

stakeholder noted that sales increases will stay strong, and firms need to focus on providing fast and fair services to clients<sup>623</sup>.

According to recent proposals by the FSA, the authority would encourage brokers providing M3PL products to offer ancillary services like legal assistance, and would withdraw the prohibition of offering any other advantages that would convince consumers to buy the insurance policy. These measures were proposed as two large insurance firms (ASTRA and Carpatica Asig) declared bankruptcy, and is aimed at reducing the combined ratio of insurance firms and at stimulating alternative distribution channels. This would alleviate the pressure placed on insurance firms which are currently under financial supervision (i.e. City Insurance, EUROINS)<sup>624</sup>.

#### *Overview of data on claims*

The number and success rate of claims (i.e. number of claims paid out) for the motor insurance products are reported in Table 151. As seen, most claims occurred for third-party liability products, which has a higher success rate than comprehensive cover products. For both motor insurance types, a decrease in the success rate is noticed between 2014 and 2015, even though overall, less claims were received for each of the product types.

Table 151: Number of claims and success rate for motor insurance products in Romania

	Received			Settled favourably for consumers		
	2013	2014	2015	2013	2014	2015
Motor	12,198	11,671	8,437	N/A	8,998 (74%)	5,517 (65%)
Third-party liability	9,247	8,990	6,741	N/A	7,170 (80%)	4,555 (68%)
Additional premium for comprehensive cover	2,951	2,681	1,696	N/A	1,828 (68%)	962 (57%)

Sources: Financial Supervisory Authority, 2016, Situatia petitiilor inregistrate la ASF in 2015; Financial Supervisory Authority, 2015, Situatia petitiilor inregistrate la ASF in 2014.

The total claims paid for the motor insurance products are displayed in the table below. **These data, retrieved from FSA's statistics, show diverging trends between the two products:** while third-party liability claims paid constantly increased between 2011 and 2015 by an overall 17%, it was the opposite for additional cover insurance: claims paid dropped constantly over the same period, losing 40% throughout the studied period.

<sup>623</sup> Marius Alexandru Stanciu, 2014, Adrian Marin, Generali: Asiguratorii trebuie sa se concentreze pe client, pe servicii corecte. Available at: <http://www.wall-street.ro/articol/Finante-Banci/177431/adrian-marin-generalii-asiguratorii-trebuie-sa-se-concentreze-pe-client.html>

<sup>624</sup> Bursa Asigurarilor, 2016, Viitorul RCA sta sub semnul online-ului? Available at: <http://www.bursaasigurarilor.ro/rca/viitorul-rca-sta-sub-semnul-online-ului>

Table 152: Total claims paid for motor insurance products in Romania, in million EUR

(million EUR)	2011	2012	2013	2014	2015*
Motor	84.28	81.82	77.67	74.70	72.39
Third-party liability	38.33	39.66	41.25	42.54	44.86
Additional premium for comprehensive cover	45.94	42.16	36.42	32.17	27.52

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015; Financial Supervisory Authority, 2011, Indemnizatii brute platite in Anul 2011.

According to FSA statistics<sup>625</sup>, as illustrated in Table 153, average claims paid are higher for businesses than for consumers in the period 2011-2015 for third-party liability products. This is consistent with the previous finding that premiums for businesses are between 2.28% and 2.88% higher than for consumers.

Table 153: Average claims paid for motor insurance products in Romania, in EUR

(EUR)	2011	2012	2013	2014	2015*
Third-party liability	1,228	1,352	1,406	1,574	1,571
o Businesses	1,354	1,397	1,528	1,681	1,746
o Consumers	1,137	1,321	1,324	1,505	1,454
Additional premium for comprehensive cover	N/A	N/A	N/A	N/A	N/A

\* - Figures include indicators from ASTRA Insurance until 30.06.2015

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, pages 79-80.

The table below presents claims ratios for motor insurance products. Overall, the claims ratio for M3PL improved between 2011 and 2014, to reach 87.05% in 2014. The claims ratio for motor comprehensive cover fluctuated in the same period, to reach 79.78% in 2014.

Table 154: Claims ratios for motor insurance products in Romania (in %)

	2011	2012	2013	2014
Third-party liability	103.46	83.68	90.55	87.05
Additional premium for comprehensive cover	84.18	92.82	86.42	79.78

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 68

The table below presents the evolution of combined ratios for motor insurance products. The combined ratios of M3PL and of the motor comprehensive cover fluctuated between 2011 and 2014, remaining above 120% for M3PL and above 115% for motor

<sup>625</sup> Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, pages 79-80. Available at: [http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanicare%202015\\_site.pdf](http://asfromania.ro/files/analize/Raport%20piete%20financiare%20nebanicare%202015_site.pdf)

comprehensive cover, which shows that insurers realised losses from underwriting these types of risks for the whole period.

Table 155: Combined ratio for motor insurance products in Romania (in %)

	2011	2012	2013	2014
Third-party liability	144.04	124.73	133.06	126.38
Additional premium for comprehensive cover	117.99	128.01	122.77	116.14

Source: Financial Supervisory Authority, 2016, Evolutia Pietelor Financiare Nebancare in anul 2015, page 68

An issue in the Romanian motor insurance market is the legal challenges brought by drivers against insurance firms for not paying their claims. Even though alternative dispute resolution mechanisms through the FSA are in place (as explained in the section on consumer complaints below), drivers chose to go directly to court, and sue both the insurer and the driver who damaged their car<sup>626</sup>. In addition, insurance firms regularly sue each other, and a newspaper estimates that around 22 million EUR (100 million RON) are owed between insurance firms. These are further aggravated by CASCO insurers, because drivers use their CASCO insurance straight away as they know that third-party liability insurance claims paid are very slow, leaving the insurance firm to contact the firm owning the third-party liability contract and asking it for pay-out<sup>627</sup>.

#### 6.1.4. Car rental insurance

##### *Overview of the selected products*

**This type of insurance product is not individually recorded in the FSA's or Insurance Europe's statistical databases. In addition, AURSF noted that this category is not common in Romania (i.e. likely to be about or below 1% of the total insurance market).**

Car rental insurance is almost always inserted into car rental contracts as a non-detachable part. It is usually composed of the compulsory third-party liability insurance, along with additional products such as collision damage waiver, theft waiver, personal accident insurance, coverage for a broken front window, road service needs, etc. **These types of additional products are indicated in the car rental firm's terms and conditions<sup>628</sup>**, with set prices and conditions. They cover all parts of the vehicle and the passengers in it. **In the FSA's database classification, such type of insurance would fit into class III (Land transportation vehicles other than rail).**

Common additional covers for car rental insurance (i.e. apart from the mandatory third-party liability insurance) can be personal accident insurance, a package composed of: medical assistance, passenger death compensation, urgent medical treatment, permanent disability, aesthetic damages or temporary loss of labour capacity. There are certain ceilings for the damages covered in such a personal accident insurance. In addition, another common service is the road service needs insurance, which covers costs in case the renter loses the car keys, they forget the key inside the car, in case the battery gets

<sup>626</sup> Cosmin Bucse, 2015, Razboiul RCA se muta in tribunale. Available at: <http://www.capital.ro/razboiul-rca-se-muta-in-tribunale.html>

<sup>627</sup> Cosmin Bucse, 2015, Razboiul RCA se muta in tribunale. Available at: <http://www.capital.ro/razboiul-rca-se-muta-in-tribunale.html>

<sup>628</sup> See, for instance the car rental insurance types of two of the largest car renters in Romania, EuropCar and Avis: <http://www.europcar.ro/pages/insurances> and [http://www.avis.ro/avisonline/ro/avis.nsf/c/Ghid\\_de\\_inchirieri,Termenii\\_si\\_conditii](http://www.avis.ro/avisonline/ro/avis.nsf/c/Ghid_de_inchirieri,Termenii_si_conditii)

depleted due to misuse, in case fuel is not administered properly or if the tires are damaged<sup>629</sup>.

Excess can be included in such policies. For instance, for road service needs, one car rental firm requires an excess of EUR 50 for cars in tier I and II cities, or EUR 180 in any other cities. For collision damage waivers and theft waiver, depending on the type of car, the same car rental firm charges excess from EUR 10.65 to EUR 29.03<sup>630</sup>. Another car rental firm charges excess of EUR 112 to EUR 225 for the same services, depending on the type of car<sup>631</sup>.

For short-term rentals, customers can also take advantage of collision damage waiver products issued by their credit card providers. Visa provides standard coverage for 31 days, but this does not include third-party liability. For Visa customers to be eligible for this, they should decline the purchase of collision damage waivers or theft insurance from the car rental firm, and pay for their car rental using their Visa card<sup>632</sup>. MasterCard also offers this option, but not in its standard service<sup>633</sup>. Similar services are offered by the Discover and American Express cards<sup>634</sup>.

#### *Overview of the national market*

By law, all vehicles in Romania must have a third-party liability insurance, as described in the motor insurance section (sub-section 6.1.3). In the case of car rental, this is automatically included in the rental agreement. As such, the FSA or insurance companies do not record car rental insurance products separately from third-party liability or comprehensive insurance products. However, according to EuroMonitor, car rental sales rose by 12% in 2015, which could indicate a rise in the number of car rental insurance contracts issued<sup>635</sup>.

#### *Overview of premiums*

Premium data is not recorded for this specific sector, but as seen in sub-section 6.1.3, third-party liability insurance is under 100 EUR/year, and this type of insurance is mandatory for all vehicles in Romania. In addition, insurance firms set their own prices for their additional products such as collision damage waiver, theft waiver, personal accident insurance, tire and glass coverage, etc. For instance, a company offers a basic collision damage waiver with an excess of 744 EUR. For lowering the excess to 372 EUR it costs 8.40 EUR. For lowering it to zero, it costs EUR 18 EUR. With this company, theft protection is included in the rental price (as third-party liability and collision damage waiver with excess at 744 EUR), but add-ons such as personal accident protection, roadside protection or protection for glass and tires cost 2.40 EUR each<sup>636</sup>.

#### *Overview of data on claims*

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<sup>629</sup> [http://www.avis.ro/avisonline/ro/avis.nsf/c/Ghid\\_de\\_inchirieri,Termeni\\_si\\_conditii](http://www.avis.ro/avisonline/ro/avis.nsf/c/Ghid_de_inchirieri,Termeni_si_conditii)

<sup>630</sup> [http://www.avis.ro/avisonline/ro/avis.nsf/c/Ghid\\_de\\_inchirieri,Termeni\\_si\\_conditii](http://www.avis.ro/avisonline/ro/avis.nsf/c/Ghid_de_inchirieri,Termeni_si_conditii)

<sup>631</sup> <http://www.europcar.ro/pages/insurances>

<sup>632</sup> AutoEurope, 2016, Visa Rental Car Insurance. Available at: <http://www.autoeurope.com/go/visa-rental-car-insurance/>

<sup>633</sup> AutoEurope, 2016, MasterCard Car Rental Insurance. Available at: <http://www.autoeurope.com/go/mastercard-rental-car-insurance/>

<sup>634</sup> AutoEurope, 2016, Credit Card Rental Car Insurance. Available at: <http://www.autoeurope.com/go/credit-card-rental-car-insurance/>

<sup>635</sup> EuroMonitor International, 2016, Car Rental in Romania. Available at: <http://www.euromonitor.com/car-rental-in-romania/report>

<sup>636</sup> Sixt, 2016, Offer configuration for car rental. Available at: <https://www.sixt.ro/php/reservation/offerconfig>



Claims data for this specific product type are not recorded separately from the overall motor insurance products by the FSA. The information presented in the sub-section on motor insurance 6.1.3 includes the claims derived from car rental insurance.

#### 6.1.5. Insurance products sold as an add-on to other primary products

##### *Overview of the selected products*

Add-on insurance products refer here to travel (made of health insurance products part of product classes I and II and baggage insurance part of class VII), home assistance (part of class IX) and extended warranty products (maintenance bonds foreseen under class XV).

Travel insurance usually covers medical assistance, personal third-party liability and baggage/personal possessions coverage. According to the website of a major insurer, such a policy would cover for such risks as:

- Medicine and medical devices prescribed by the doctor (up to EUR 30-50,000);
- Return of the client in their home country (up to EUR 10,000);
- Costs of transporting a relative of the client in order to assist with the repatriation **of the client's body (up to EUR 10,000);**
- Compensation for invalidity (up to EUR 1-5,000);
- Compensation for the damages, theft or destruction of luggage or possessions due to accidents, natural phenomena like fires, thunder, explosions, floods, landslides, etc (up to EUR 1,000);
- Personal third party liability<sup>637</sup> (up to EUR 5-10,000).

Home assistance **insurance covers repairs to interior electric installations, locksmiths' assistance and water and gas installation repairs.** According to internet desk research, only one firm in Romania offers this type of insurance, and it is bundled with road and medical coverage<sup>638</sup>. This type of insurance is available whenever there are malfunctions in the **household's heating or drainage system**, water, gas or electricity installations, air conditioning, or the lock. It consists of putting the client in touch with people or firms qualified to fix the identified problems. It does not cover the costs of the actual repairs<sup>639</sup>.

Extended warranty services are mainly offered by online (electronics) retailers, and the policies are usually valid for the products bought via their websites. It can be bundled with other services like accident and theft policy. The extended warranty can be accessed in case the purchased good does not function as intended by the seller due to a manufacturing or a material error, and is only valid after the expiry of the legal warranty of that product<sup>640</sup>.

These types of insurance product are not individually recorded in the **FSA's or Insurance Europe's statistical databases. In addition, AURSF noted that this type of product is not common in Romania** (i.e. likely to be about or below 1% of the total insurance market).

**Add-on insurance is not individually counted in the FSA's database classification, as it may happen in other countries. As Table 124 on page 178 shows, there is no "Other" class that**

<sup>637</sup> Allianz Direct, 2016, Descriere asigurare de calatorie. Available at: <http://www.allianzdirect.ro/calatorie/descriere-asigurare-calatorie.html>

<sup>638</sup> SOS24.ro, 2016, Asistenta Casnica. Available at: <http://www.sos-24.ro/servicii/asistenta-casnica>

<sup>639</sup> SOS24.ro, 2016, Conditii Generale privind cardul de asistenta SOS24. Available at: <http://www.sos-24.ro/conditii-generale>

<sup>640</sup> IStyle-Pro.RO, 2016, Asigurare/Garantie extinsa. Available at: [http://www.istyle-pro.ro/servicii/asigurare-si-garantie-extinsa#icare\\_fees](http://www.istyle-pro.ro/servicii/asigurare-si-garantie-extinsa#icare_fees)

would act as a catch-all group where such add-on insurance products would fit. Instead, **according to FSA's classification, when such products are provided, they are recorded** under one of the 18 insurance product classes, and as such it is very difficult to extract this type of insurance product from the 18 classes.

Excess was declared illegal for travel insurance products in 2014, after the Department for SMEs, Business and Tourism found that many travel operators were using excess as a way to save money<sup>641</sup>.

Excess for home assistance and extended warranty is not regulated and depend on the provider. For electronics extended warranty, for instance, one provider issued an excess of 4-8%<sup>642</sup>.

#### *Overview of the national market*

As these add-on insurance products are not classified as such in the FSA's reports, it is difficult to pinpoint which percentage of the 18 product classes described by the FSA pertain to such add-on products.

Under the regulatory environment for travel insurance products, insurance undertakings have to submit information related to the assistance network and evidence of employing qualified personnel, according to Government Order No 14/2009. For general health insurance, which is often part of travel insurance, all EU insurance undertakings must submit to the FSA the general and specific terms and conditions for their products in Romanian, before issuing the contracts<sup>643</sup>.

#### *Overview of premiums*

Given the different classification of insurance products by FSA, it is not possible to determine the total and average premiums for add-on products. Different insurance providers offer different conditions for such products.

A regular travel insurance costs between 16.85 EUR and 59 EUR for each month of travel<sup>644</sup>. Such travel insurance covers medical and dental treatment, hospital care, baggage damages, third-party liability, document theft, travel delays, cancelled flights and a few other services<sup>645</sup>.

Providers set their own premiums for extended warranties with no legal restrictions. For instance, one provider of extended warranty for electronic devices set premiums of 19-51 EUR/year for Apple tablets or 19-81 EUR for desktop PCs and laptops. This depends on the insured amount, which in this case ranged from 0 to 3,000 EUR<sup>646</sup>. Such extended warranties for electronics are common, and online retailers have many offers with premiums ranging from EUR 1.31 to 178 EUR<sup>647</sup>.

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<sup>641</sup> Mihai Cracea, 2014, Fransizele din politele de insolventa ale agentiilor de turism vor fi eliminate, iar primele de asigurare vor fi achitate integral. Available at: <http://1asig.ro/fransizele-din-politele-de-insolventa-ale-agentiilor-de-turism-vor-fi-eliminate-iar-primele-de-asigurare-vor-fi-achitate-integral-articol-3,100-48302.htm>

<sup>642</sup> IStyle-pro.ro, 2016, Asigurare si garantie extinsa. Available at: <http://www.istyle-pro.ro/servicii/asigurare-si-garantie-extinsa>

<sup>643</sup> EIOPA, General Good Provisions by category for intermediaries and undertakings – Romania. Available at: [https://eiopa.europa.eu/Publications/Administrative/Romania\\_General\\_Good\\_Provisions\\_01.pdf](https://eiopa.europa.eu/Publications/Administrative/Romania_General_Good_Provisions_01.pdf)

<sup>644</sup> Calculated for one person younger than 65 travelling from Romania to France between 24.09 and 24.10.2016 for tourist purposes.

<sup>645</sup> Generali, 2016, Asigurari medicale de calatorie. Available at: <https://www.generalitravel.ro/comanda/2>

<sup>646</sup> IStyle-pro.ro, 2016, Asigurare si garantie extinsa. Available at: <http://www.istyle-pro.ro/servicii/asigurare-si-garantie-extinsa>

<sup>647</sup> Atexpc.RO, 2016, Extindere de garantie. Available at: <http://www.atexpc.ro/produse/435-extindere-de-garantie?pagina=3>

Home assistance, from interviews with stakeholders (APPA-Asigurari, AURSF) as well as from desk research, appears to be very rare. The only such service found bundles together home assistance with road assistance and medical assistance for a premium of 15 EUR/year<sup>648</sup>.

#### *Overview of data on claims*

Data on claims is reported by insurance companies to customers on their overall range of products, and it is broken down by the FSA per main insurance class. It is therefore not possible to extract data pertaining specifically to add-on insurance products such as travel insurance, home assistance or extended warranty.

#### 6.1.6. Sales practices and distribution channels

The main distribution channel for all non-life insurance products in Romania is intermediaries, and particularly brokers. The FSA publishes yearly statistics on this distribution channel, but not on others. No explanation for this could be found through interviews with FSA, AURSF, APPA-Asigurari or UNISCAR.

Insurance Europe also provides data on distribution channels, shown in Table 156. In both the data from Insurance Europe and FSA, the trend of brokers selling an increasing share of GWP is clear. In addition, this table shows that direct writing only accounts for a quarter of the market, and that bancassurance went from 10% in 2004 to almost 0% nine years later. Representatives of consumer associations AURSF and APPA-Asigurari suggested that broker shares will continue to increase by about 10 percentage points, and that bancassurance will regain its popularity. It is likely that the increase in bancassurance popularity will be due to the fact that banks are seeking new revenue opportunities, and selling insurance is a good option. In the life sector, bancassurance accounts for 28% of GWP. Outside the life sector, banks typically sell health, household and motor insurance, increasingly more so since 2013.<sup>649</sup> There are no data on the distribution channels for specific products such as household, motor insurance or add-on services such as travel insurance, home assistance or extended warranty.

Table 156: Share of GWP in non-life insurance products per distribution channel in Romania, in %

All non-life	2011	2012	2013
Direct writing	25%	25%	N/A
Intermediaries	N/A-	75%	75%
- Agents	N/A	36%	36%
- Brokers	N/A	39%	39%
Other	N/A	N/A	N/A
Bancassurance	N/A	0.2%	0.2%
Other	N/A	N/A	N/A

Source: Insurance Europe – European Insurance Industry Database

<sup>648</sup> SOS24.ro, 2016, SOS24 Silver. Available at: <http://www.sos-24.ro/produse/sos24-silver>

<sup>649</sup> Andreea Radu, 2016, Consolidare si reasezare pe piata de brokeraj. Available at: <http://www.1asig.ro/Consolidare-si-reasezare-pe-piata-de-brokeraj-articol-13,90-53374.htm>

Internet distribution, according to AURSF and APPA-Asigurari, has developed considerably over the past few years, especially for products of motor (notably third-party liability) and household insurance. This came together with the appearance of comparison tools, although no complete neutral comparison tool exists in Romania. APPA-Asigurari developed several websites<sup>650</sup> with impartial advice covering FAQ in order to encourage online sales. An interviewee from APPA-Asigurari noted that, although internet sales indeed developed over the years, they could have increased more.

The target group of internet distribution of insurance is mainly urban consumers, who can thus directly buy insurance products from providers. Rural consumers rely more on local insurance branches or brokers. Consumer associations in the field (such as AURSF) launched several information campaigns to let consumers know how they can buy insurance (through flyers in malls, etc.).

Advertising (e.g. TV, newspapers, online, etc.) is monitored by the FSA, and they also run mystery shopping activities to identify potentially fraudulent practices that might affect consumers. For instance, one such activity involved the pricing mechanism for M3PL insurance sold online<sup>651</sup>. If irregularities are spotted, FSA will control the firm and, if necessary, fine them accordingly. In addition, the authority promotes legislative texts that would help the market better develop and the consumers to be better protected. FSA believes that a transparent way of advertising would increase consumer confidence in the **market, which would ultimately increase the market's size**<sup>652</sup>.

In terms of discriminatory practices related to age or sickness, driver age is influencing premium prices for motor insurance products. In 2011, over 64% of accidents resulting in fatalities involved drivers with up to nine years of driving experience. According to a newspaper, a young driver aged 18-25 would need to pay three times more than a beginner aged 35 for their third-party liability insurance. According to statistics, the risk of accidents decreases with the driving experience<sup>653</sup>. In addition, as indicated earlier, dwellings with a high risk of collapse in case of an earthquake (rated number 1 seismic risk) are not eligible for the mandatory building insurance scheme.

**Car rental companies impose that the driver is at least 21 years old and has had a driver's license for a minimum of 1 year, and some rental suppliers may impose a maximum rental age of 70 years.** Some suppliers also require the driver to have had a license for up to 3 years in order to rent some specific vehicle categories<sup>654</sup>.

Within the travel insurance sector, there are also certain discriminatory practices regarding the age of the client. Although there is no regulation on this matter, some insurers do not cover people over 70 years of age<sup>655</sup>, 75 years<sup>656</sup> or 85 years<sup>657</sup>. Others disregard the age, but take into account the health condition of the client: one insurer, for instance, does not

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<sup>650</sup> [http://www.appa-asigurari.ro/portaluri-de-informare\\_145.html](http://www.appa-asigurari.ro/portaluri-de-informare_145.html)

<sup>651</sup> Financial Supervisory Authority, 2015, **Alertă ASF către consumatori privind rezultatele mystery de shopping pentru vânzarea de asigurări de Răspundere Civilă Auto (RCA) în mediul on-line.** Available at: <http://asfromania.ro/consumatori/consumatori-capital/alerte-capital-consumatori/4782-alerta-asf-catre-consumatori-privind-rezultatele-mystery-de-shopping-pentru-vanzarea-de-asigurari-de-raspundere-civila-auto-rca-in-mediul-on-line>

<sup>652</sup> Interview with FSA.

<sup>653</sup> AsigurariTM, 2012, **Tarifarea in functie de varsta pentru asigurarile RCA si CASCO e intemeiata.** Available at: <http://www.asiguraritm.ro/tarifarea-functie-varsta-pentru-asigurarile-rca-casco-este-intemeiata.html>

<sup>654</sup> AutoEurope, Romania Car rental: driving information. Available at: <http://www.autoeurope.ca/go/driving-information/romania/>

<sup>655</sup> AllianzDirect, 2016, **Descriere asigurare de calatorie.** Available at: <http://www.allianzdirect.ro/calatorie/descriere-asigurare-calatorie.html>

<sup>656</sup> Asigurari-Sanatate.Ro, 2016, **Asigurari medicale de calatorie.** Available at: <http://www.asigurari-sanatate.ro/medicale.htm>

<sup>657</sup> Omnisig, 2016, **Asigurari persoane fizice.** Available at: <http://www.omniasig.ro/medicas.html>

extend its travel insurance product to illnesses caused by cancer, heart conditions, diabetes, sclerosis, migraines, epilepsy if they were treated within the past 12 months<sup>658</sup>.

#### 6.1.7. Key features of cross-border transactions

Cross-border transactions could be done either through:

- Freedom of establishment (FOE) The freedom of establishment is the right to set up companies in other Member States.
- Freedom to provide services (FPS) The freedom to provide services (FPS) allows nationals of a Member State to provide services in other Member States.

This case study only considers FPS-type transactions.

In Romania, such transactions are very limited, and AURSF was not aware that they exist, while the FSA does not have data on them. APPA-Asigurari mentioned that these transactions form a very small part of the overall non-life insurance transactions. Therefore, this section of the study is based solely on interviews with stakeholders, as well as input from the European Commission green paper on retail financial services consultation<sup>659</sup>.

#### *Cross-border sales*

The sector with the highest potential for cross-border sales is motor insurance, and particularly third-party liability products, as identified by the Romanian stakeholders in the European Commission green paper consultation (Romanian Banking Institute, The Capital Market Investors Association, FSA and UNSAR), while household insurance, life and private health insurance were also mentioned.

Romanian stakeholders involved in the green paper consultation note that some of the barriers preventing firms from directly providing financial services cross-border are differences in national legislation, lack of knowledge of other markets, additional requirements imposed by national regulators, or the impossibility of verifying the identity of cross-border customers. On the consumer side, the Romanian Banking Institute and the FSA note that barriers such as language, lack of knowledge of products in other markets or differences in national legislations are among the main problems preventing the purchase of cross-border products.

AURSF noted that they are hardly aware of FPS transactions in Romania. Even though competition for FPS sales to Romanian-based customers is growing, consumers must be able to verify the contractual conditions (which are often dubious, hidden in small print, spread out throughout the contract). APPA-Asigurari notes that some FPS transactions exist, but they are not at all visible to consumers. These are very rare in the case of motor and household, but they can happen for life insurance products.

The FSA made public the list of 12 insurance firms operating in Romania which also operate in other Member States through FPS sales, as well as the 4 firms that do so through freedom of establishment<sup>660</sup>. **The companies' names are listed below:**

- Firms operating in other Member States through FPS sales: ABC Insurance-Reinsurance, ONIX Insurance, EUROINS Romania Insurance-Reinsurance, Astra

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<sup>658</sup> Vola.Ro, 2016, Conditii generale de asigurare. Available at: [https://www.vola.ro/termeni\\_si\\_conditii\\_polita\\_asigurari](https://www.vola.ro/termeni_si_conditii_polita_asigurari)

<sup>659</sup> European Commission, 2015, Green Paper on retail financial services. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>660</sup> Financial Supervisory Authority, 2015, Extindere in tari member. Available at: [http://asfromania.ro/files/Asigurari/autorizare/EXTINDERI%20societati\\_12-01-2015.pdf](http://asfromania.ro/files/Asigurari/autorizare/EXTINDERI%20societati_12-01-2015.pdf)

Insurance, City Insurance, Metropolitan Life Insurance, CERTASIG, Forte Insurance-Reinsurance, ASITO Kapital, Credit Europe Insurance-Reinsurance, EXIM Romania, Allianz-Tiriac Insurance.

- Firms operating in other Member States through freedom of establishment sales: ONIX Insurance, Astra Insurance, City Insurance, CERTASIG.

According to AURSF and APPA-Asigurari, Romanian insurers are not active in selling products abroad via FPS, and when this happens, they get a negative reputation (e.g. insurance firm Astra, which used to sell third-party motor liability in Hungary went bankrupt in December 2015). It mostly happens the other way around – foreign firms selling products in Romania. According to APPA-Asigurari, this is usually done via freedom of establishment (FOE). For instance, insurance firms AIG or AEGON first established in Romania through a legal person, and then a branch. This might be because of legal restrictions, as well as consumer trust: as consumer trust is very low in the insurance sector in Romania, it would decrease even further if the insurer is located outside **Romania's borders**.

### *Main factors limiting cross-border insurance purchases*

There are several factors preventing cross-border insurance purchases in Romania. In some product areas, selling cross-border insurance through FPS is simply not possible: for instance for motor and household insurance, the seller must have a legal office in the country, according to Law 136/2005 (Art 5, which was modified by Law 172/2004). In addition, other factors noted by AURSF, APPA-Asigurari and the FSA include:

- language barriers,
- lack of regulatory convergence between national competent authorities,
- lack of proper legislation (in some cases it is not even possible to buy non-life cover from another market) or
- inertia in consumer behaviour and lack of trust.

Similar problems were also identified by Romanian stakeholders such as the FSA or the **Romanian Banking institute in the European Commission's Green Paper consultation**. Differences in national legislation were the most common, while the lack of knowledge of consumers regarding products in other Member States was also a relevant topic brought up.

At EU-level, the FIN-NET (Financial Dispute Resolution Network) helps consumers and financial service providers resolve cross-border disputes through out-of-court schemes. The FSA, in **its reply to the European Commission's Green Paper consultation, suggests** that the Commission inform customers better about the availability of such schemes, and ensure that such schemes operate independently from the financial industry.

### *Interventions to increase cross-border demand*

No specific interventions aiming at increasing the cross-border demand of insurance products were identified. Stakeholders were not aware of any specific public or private intervention aimed at increasing cross-border demand.

## 6.2. Consumer decision-making in the non-life insurance market- evidence from Romania

### 6.2.1. Consumer understanding

Consumer understanding regarding non-life insurance products in Romania is limited, and this is largely due to a lack of clarity of contractual conditions according to AURSF and APPA-Asigurari. As a large part of the GWP in this market is sold by brokers, sellers have a vested interest in selling as much insurance as possible, and therefore do not spend time explaining the terms and conditions of insurance policies. According to AURSF, Consumers, on the other hand, look for the cheapest options, and cannot process all the contractual information coming along with the price (e.g. for a simple, mandatory household building insurance contract for one year, a typical contract has about 38 pages). This can trigger scams, especially online, where insurance offers have plenty of hidden exclusions. An example could be an insurer selling a very cheap insurance policy, but when consumers claim compensation, the process can be very difficult, or they may not receive any reply at all.

There is also a behavioural perspective, which means that certain insurance products have a different switching rate. For third-party motor liability products, according to APPA-Asigurari, consumers tend to buy the cheapest option available, as the compensation in case of claim is not received by them but by the third party. Consumers therefore do not pay attention to the extent of coverage. However, for comprehensive motor insurance (CASCO) or household insurance, the buyers are the direct recipients of compensation in case of accident, and thus do not always go for the cheapest option.

According to information stated in an interview, the FSA is well aware of the problems in consumer understanding, and has therefore conducted an action whereby they monitored all insurance contracts for the three largest insurance firms in Romania. No further information could be gathered on the ongoing study. The results of the study will soon be published according to the FSA in an interview.

### 6.2.2. Type of problems

The main problems **of consumers in Romania's non-life insurance market**, according to all stakeholders interviewed, involve the lack of understanding of contractual terms, which in turn triggers the lack of pay-out due to exceptions or other provisions. This determines consumers not to trust insurance firms, and thus not purchase insurance except for cases when this is mandatory.

The low level of complaints from consumers is likely to hide the fact that consumers rarely get to a situation where they need claim compensation. With a lack of accidents, people think there are no problems, according to AURSF. Consumer associations such as APPA-Asigurari or AURSF try to educate them via campaigns (e.g. APPA-Asigurari **organised a campaign called "October – the month of household insurance", or "Love your car – insure it"**<sup>661</sup>) or guides, but consumers do not give a high priority to this aspect, according to the same stakeholders. According to AURSF and APPA-Asigurari, such campaigns are funded by the NGOs and aim to reach out directly to consumers. The same stakeholders suggest that this might be a way to delay potential issues until it becomes too late to act upon them, and consumer associations in the field push for it to be tackled sooner. In addition, they claim that some complaints do not reach the FSA, but go directly to court, and these are not counted in FSA statistics.

According to interviews with the FSA, APPA-Asigurari and AURSF, as well as other sources indicated in this report, low income levels promote the choice of consumers for the

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<sup>661</sup> APPA-Asigurari, 2016, Website. Available at: <http://appa-asigurari.ro/#141ss>



cheapest available option. AURSF suggests that in many cases, consumers do not understand why prices differ so much and what is behind such prices, and they often do not take the time and effort to fully understand.

The interviewee from AURSF suggests that a lack of consumer actions of collective redress/settlement can deter consumers from launching complaints. Many consumers experience the same types of problems, and in theory they could proceed to collective redress. This happened after the outset of the crisis, with consumers rallying together against banks in several occasions, but in insurance there is not enough momentum – consumers encounter the same problems, but with different intensity and at different points in time, thus deterring such collective actions.

### 6.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

In Romania, most of the complaints received by the FSA for the overall insurance market (life and non-life) concern consumer complaints with their purchase (58% in 2015 and 62% in 2014)<sup>662</sup>. In 2015, the other complaints received by the FSA regarded<sup>663</sup>:

- claims that had already been analysed previously (2.3%)
- information on the activity of FSA and its departments (0.2%)
- **requests beyond the FSA's competence, relating to the bankruptcy of insurance firm ASTRA Asigurari (9.4%)**
- information requests (5.5%)
- duplicate, anonymous, irrelevant, reconsidered or misdirected complaints (24.2%).

The most common reason for consumer complaints is the lack of or partial pay-out (83%). Other consumer complaints asked for a re-calculation of the pay-out or complained that the insurance firm did not respect the contract<sup>664</sup>.

The FSA notes that in 2014, 58.26% of complaints were directed towards two insurance firms which had unfair practices (EUROINS SA and ASTRA SA – the latter declared **bankruptcy at the end of 2015**). **The FSA revoked ASTRA's license and carried out random checks at EUROINS**. Furthermore, it consulted the Consumer Protection Authority<sup>665</sup>. These measures resulted in a decrease of the percentage of complaints towards these two firms to 30.67%.

**The FSA notes in the European Commission's Green Paper consultation that a uniform approach at EU level is needed to guarantee compensation to consumers in case insurance companies like ASTRA go bankrupt. Such a guarantee scheme should not be voluntary, since it would not provide uniform protection to consumers in other Member States. Such a mechanism exists in Romania and is called the Insurers' Guarantee Fund, as described above. This covers claims of up to EUR 101,000 for clients of bankrupt insurance firms.**

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<sup>662</sup> Financial Supervisory Authority, 2016, Situatia petitiilor inregistrate la ASF in anul 2015. Available at: [http://asfromania.ro/files/analize/Analiza%20petitii%202015%20-%20%20Situatia\\_petitiilor\\_modif.pdf](http://asfromania.ro/files/analize/Analiza%20petitii%202015%20-%20%20Situatia_petitiilor_modif.pdf)

<sup>663</sup> Financial Supervisory Authority, 2016, Situatia petitiilor inregistrate la ASF in anul 2015. Available at: [http://asfromania.ro/files/analize/Analiza%20petitii%202015%20-%20%20Situatia\\_petitiilor\\_modif.pdf](http://asfromania.ro/files/analize/Analiza%20petitii%202015%20-%20%20Situatia_petitiilor_modif.pdf)

<sup>664</sup> Financial Supervisory Authority, 2016, Situatia petitiilor inregistrate la ASF in anul 2015. Available at: [http://asfromania.ro/files/analize/Analiza%20petitii%202015%20-%20%20Situatia\\_petitiilor\\_modif.pdf](http://asfromania.ro/files/analize/Analiza%20petitii%202015%20-%20%20Situatia_petitiilor_modif.pdf)

<sup>665</sup> The Consumer Protection Authority is a public body founded in 2001 through Government Emergency Ordinance 2/2001 as a part of the central public administration which is subordinated to the Government. Its aim is to align consumer protection standards in Romania to those at EU level and to propose laws in this area. In addition, it is also responsible for training and enforcement procedures in this area. A full list of responsibilities is available in English at <http://www.anpc.gov.ro/articol/602/atributiile-anpc-in-conformitate-cu-prevederile-hotararii-nr-700-2012-privind-organizarea-si-functionarea-autoritatii-nationale-pentru-protectia-consumatorilor>



The fund also has the power to manage insolvent insurance firms, or liquidate them if they go bankrupt<sup>666</sup>.

The notion of alternative dispute resolution (ADR) mechanism is rather new in Romania, and the FSA only introduced it in early 2016, as a response to the Government Ordinance 38/2015 on finding alternative dispute resolutions between traders and buyers. This, in turn, follows EU Directive 2013/11/EU on ADR, as well as Directive 2009/22/CE on ADR for consumers. The rule regarding the organisation and functioning of the ADR Entity in the financial non-banking sector sets up the ADR Entity called SAL-FIN<sup>667</sup>, which is responsible for solving conflicts arising between insurance firms and consumers. It is the only ADR where FSA is competent, and it is at the moment of writing, still being set up in practice. According to interviewees (e.g. APPA-Asigurari), the ADR is expected to be operational in 2017. The ADR for the insurance available for both internal and cross-border issues arising from the sale or issuing of insurance products is managed by FSA. The SAL-FIN mechanism is triggered when a consumer addresses the entity in writing (online or on paper). All FSA-regulated firms and agencies are obliged to inform their customers of the ADR opportunity offered through SAL-FIN<sup>668</sup>. The SAL-FIN mechanism is free of charge. However, if the deliberation requires technical studies, translations or other evidence, the costs of these are borne by the party initiating the procedure. This is also the case when parties request the physical involvement of SAL-FIN in a location other than where **the institution's technical secretariat is based**.

Before using the SAL-FIN mechanism, consumers are obliged to try to directly settle the dispute with the seller. The complaint addressed to SAL-FIN must be sent at the latest one year after the purchase occurred or before the seller was approached for resolving the dispute. When approached, SAL-FIN proposes or, if necessary, imposes a solution. This is done by appointing a conciliator from a special conciliator registry, which is a list of experts in certain professional fields. Upon appointment, the conciliator is empowered to broker a deal between the consumer and the seller. They are assisted by SAL-FIN's **technical secretariat**.

In cases where SAL-FIN is responsible for proposing a solution, consumers can withdraw their complaint at any time if they are not satisfied with the way it is handled. SAL-FIN must propose a solution within 60 days from receiving the complaint. The two parties are then given 15 days to decide whether they agree with the solution. If only one party agrees, then the result of the procedure is not mandatory. If both parties agree, SAL-FIN adopts a formal decision confirming the solution. Alternatively, it emits a summary of the **incident, the proposed solution and the parties' reactions**. The consumer is then informed of the possible legal ways to seek justice.

If SAL-FIN must impose a solution, parties cannot choose to accept or reject the solution, or to withdraw from the procedure. Both parties, however, must give their consent on the decision which is of an obligatory nature. The solution is proposed by a commission of conciliators, which can be composed of one conciliator or three, of which one is a super-conciliator. The commission has 90 days to issue a solution, a timeline which can be extended by 60 days.

Using the SAL-FIN does not imply that consumers cannot use courts or other ways of solving the conflict, using a mediator, petitions or other extra-judiciary means. The mechanism is a service between consumers and insurance firms.

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<sup>666</sup> Insurers' Guarantee Fund, 2016, About Us. Available at: <http://www.fgaromania.ro/fga/despre-noi/>

<sup>667</sup> SAL-FIN, 2016, Main Page. Available at: <http://www.salfin.ro/>

<sup>668</sup> SAL-FIN, 2016, Afis SAL-FIN pentru informarea consumatorilor. Available at: <http://www.salfin.ro/2016/07/22/informarea-consumatorilor-de-catre-entitatile-autorizate-reglementate-sisau-supravegheate-de-catre-a-s-f/>

SAL-FIN is governed by a coordination board made of five members, of which two are appointed by the FSA, one represents the national consumer protection authority, and two others represent an association of non-banking market and consumer associations. **These members are appointed for a mandate of five years, renewable once. The body's functioning is financed by the FSA, and its services are free for both consumers and insurance firms.**

According to a representative from AURSF, this is sometimes seen as a trend in Eastern Europe, specifically in Romania and Poland, triggered by the EU ADR directive (Directive 2013/11/EU). Consumer protection associations mentioned this helps consumers substantially, as ADRs are an intermediate step between the customer and the court, allowing the mediation via experts. Whereas for instance Poland has had an ombudsman acting as ADR for about 5 years, in Romania the ADR was only recently introduced, and it features consumer representatives in its steering committee.

#### *Overview of consumer complaints for household insurance*

A novelty in the household insurance sector is the fact that consumer complaints for mandatory building insurance products can be addressed to PAID, the body responsible for certifying such products. PAID lists on its website<sup>669</sup> the procedure of receiving and solving such requests. It starts with a written complaint, which can arrive to PAID either directly from consumers or through the FSA or entities such as FSA, the Consumer Protection Association or any insurance firm. PAID has a committee for analysing complaints, which communicates the outcome of their decision to consumers within 30 days. The firm is inclined to solve all complaints amicably, so as to fix and thus avoid such issues in the future. In case this is not possible, an authorised mediator can be requested through Law 192/2006, or the parties can conclude an extra-judiciary transaction in line with Article 2267 and following of the Civil Code (Law 287/2009)<sup>670</sup>.

The European Commission 2016 Consumer Market Scoreboard<sup>671</sup> shows a decreased proportion of complaints for household insurance compared to 2013. As presented in Table 10 of Annex I, 2.1% of the Scoreboard respondents declared having experienced at least one problem in 2015, and estimate the detriment from this problem on average at 4.1 on a 0-10 range. Only 46.2% of the respondents having experienced at least one problem complained, including 19.1% to their retailer/provider and 27% to third-party complaint bodies. Thus, the share of Romanian consumers having experienced problems and their level of detriment are below the EU 28 average. The share of Romanian respondents who complained after experiencing a problem is far below the EU 28 average, with two thirds less complaints to retailers/producers, but twice the number of complaints to third-party complaint bodies compared to the EU 28 average.

#### *Overview of consumer complaints for motor insurance*

In the motor insurance sector, consumers can use the ADR mechanisms provided by the FSA (SAL-FIN) and the Association for Consumer Protection. In addition, an instrument for **consumer protection similar to the Insurer's Guarantee Fund is the Street Victims' Protection Fund (Fondul de Protectie a Victimelor Strazii – FPVS.RO)**, which protects victims of car accidents in case the damage was done by a vehicle without a third-party

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<sup>669</sup> PAID, 2016, Main Page. Available at: <https://www.paidromania.ro/>

<sup>670</sup> PAID, 2016, Reclamatii. Available at: <https://www.paidromania.ro/reclamatii#solutionareamiabila>

<sup>671</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

liability insurance. In the case of the FPVS, an excess of 500 EUR is applied to the person who incurred the damage<sup>672</sup>.

When a damage occurs, drivers must obtain a police record of the incident. They can present it in any branch of their insurer to start the claims process. The insurer will then take their decision and inform the client. If unhappy, the client must first lodge a complaint with the insurer, and if this is not settled, they can either use an ADR, or sue the insurer.

As illustrated in Table 132 and Table 151, most of the complaints received by the FSA pertain to the motor insurance sector, and most notably the third-party liability product. The sector has several irregularities due, in part, to insurance firms. In 2014, three of the main insurance firms in the sector (representing 30% of the market share) were involved in **authorities' investigations. In the same year, 21 insurance firms had motor insurance** in their portfolio, even though only 11 of them had the license to issue third-party liability insurance<sup>673</sup>.

Experts suggest that insurers often refuse claim settlements or pay only a fraction of the claims due, given that premiums are low (i.e. below 100 EUR). In addition, pay-outs have large delays while no information is communicated to clients. This might be because, by law, insurance firms are allowed to take three months for further fraud investigation, and this is taken advantage of for more claims than actually needed<sup>674</sup>.

**The FSA notes in its reply to the European Commission's Green Paper consultation that,** in the motor vehicle sector a unified reference system on the repair procedures and costs should be established. This would provide professional independence to loss liquidators.

According to the European Commission 2016 Consumer Market Scoreboard<sup>675</sup> and as illustrated in Table 10 of Annex I, 4% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 6.7 on a 0-10 range. 79.1% of the respondents having experienced at least one problem complained, including 37.3% to their retailer/provider and 25.1% to third-party complaint bodies. The share of Romanian consumers having experienced problems and their level of detriment are close to the EU 28 average. Thus, the share of Romanian respondents who complained after experiencing a problem is also close to the EU 28 average, but with half less complaints to retailers/producers, and twice the number of complaints to third-party complaint bodies compared to the EU 28 average.

#### *Overview of consumer complaints for car rental insurance*

The FSA does not specifically distinguish car rental insurance within its complaints overview. These are coupled within the larger motor insurance sector, and the main consumer complaints in this sector are presented in the sub-section above.

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<sup>672</sup> Order Nr 1/2008, available at: <http://asfromania.ro/legislatie/legislatie-sectoriala/legislatie-asigurari/legislatie-secundara-csa/norme-csa/398-arhiva-ordine-csa/3018-ordin-nr-12008>

<sup>673</sup> Andreea Cosma, 2014, Motor claims practices in Romania. Available at: [https://eiopa.europa.eu/Publications/Speeches%20and%20presentations/9.1\\_IRSG\\_Consumer\\_Trends\\_Presentation.pdf#search=romania](https://eiopa.europa.eu/Publications/Speeches%20and%20presentations/9.1_IRSG_Consumer_Trends_Presentation.pdf#search=romania)

<sup>674</sup> Andreea Cosma, 2014, Motor claims practices in Romania. Available at: [https://eiopa.europa.eu/Publications/Speeches%20and%20presentations/9.1\\_IRSG\\_Consumer\\_Trends\\_Presentation.pdf#search=romania](https://eiopa.europa.eu/Publications/Speeches%20and%20presentations/9.1_IRSG_Consumer_Trends_Presentation.pdf#search=romania)

<sup>675</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

### *Overview of consumer complaints for add-on insurance*

Data on consumer complaints is aggregated at product class level by the FSA. From these, no specific extraction can be made of information pertaining to add-on insurance products.

### *Cross-border consumer complaints*

There are no data concerning cross-border consumer complaints, as cross-border transactions through FPS are very rare in Romania. AURSF and APPA-Asigurari estimate them at less than 1% of the complaints they receive from insurance products consumers.

#### 6.2.4. Access to information

General information for consumers is available in the public sphere via guides, articles, etc but consumers need to reach it, and select the unbiased ones. Campaigns were made by associations like APPA, AURSF, FSA to improve access to information. For instance, APPA had a mobile caravan travel throughout the country in 2009 to spread information on the pension system and the insurance market. According to them, this cannot be repeated often as it is costly and Romanian NGOs do not benefit from much external financing. AURSF, for instance, drafted a consumer guide on a new regulatory initiative concerning claims cession in case of personal insolvency<sup>676</sup>. The FSA releases consumer guides such as those for third-party liability, health or household insurance policies<sup>677</sup>.

Online comparison tools are not that common in Romania, and stakeholders in the field (APPA-Asigurari, AURSF) do not think they will gain a significant share of GWP in the coming years<sup>678</sup>. For instance, the website CONSO.RO<sup>679</sup> (a financial advisory firm) tried to develop an impartial comparison tool, but this was impossible, according to the interviewee. They started such a tool in 2007, but it was very difficult to update it as it had to retrieve data feed from insurers, all in a harmonised way. This was, and still is, non-existent. CONSO.RO and APPA-Asigurari hope that the FSA can develop a feed **integrator for such comparison tools. Such a task cannot be left in brokers' hands given** their vested interest to be biased. Their aim is to soon have an online comparison tool for third-party motor liability (the most common insurance product on the Romanian market). **Such a step was taken by eMag (Romania's largest online retailer) for third-party motor liability, but they quickly pulled back.**

FSA notes that it has also made improvements, such as new guides or website improvements to make it easier for consumers to access information. Private actors such as CONSO.RO highlighted that they also work to provide unbiased, online information to consumers, but as they benefit from a sale of insurance policies, many such private actors are not reliable sources of information<sup>680</sup>.

#### 6.2.5. Switching behaviour

Generally, the interviewed stakeholders (APPA-Asigurari, AURSF, FSA) noted that Romanian consumers mostly cared about the price of the product. AURSF indicated that, as there have been price fluctuations in recent years, it is likely that some Romanian consumers switched to providers offering cheaper products. FSA noted that they do not record such information, and that they are not aware of statistics for switching behaviours.

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<sup>676</sup> AURSF, 2016. Ghid de dare in plata. Available at: <http://www.aurf.ro/proiecte/ghid-de-dare-in-plata/>

<sup>677</sup> FSA, 2016, Asigurari. Available at: <http://asfromania.ro/consumatori/consumatori-asigurari/ghidul-rca>

<sup>678</sup> Information collected through interviews with APPA-Asigurari and AURSF.

<sup>679</sup> CONSO.RO, 2016, Website. Available at <http://www.conso.ro>

<sup>680</sup> Interview with AURSF stakeholder, who was also responsible for the online website CONSO.RO, a website aimed at providing information to consumers on insurance products.

**The Romanian Banking Institute, in its reply to the European Commission's Green Paper** consultation, noted that further action at Member State-level is needed to encourage comparability or switching. In the same context, the FSA, UNSAR and the Capital Market Investors Association point out to the need of further action at EU, rather than Member State level.

**At EU level, stakeholders in the European Commission's Green Paper consultations** noted that certain actions can facilitate the portability of financial products like insurance. The Romanian Banking Institute, the Capital Market Investors Association and UNSAR encourage the Commission to promote the issuing of insurance products with a wider geographical coverage. In addition, UNSAR would like to see a prohibition of limiting coverage to the country where the policy holder lives. On the same matter, the FSA suggests improvements in the legal framework, allowing consumers to easily transfer their contract to another service provider if given better conditions. This requires transparency regarding the options available across the EU market.

#### 6.2.6. Consumer awareness

In Romania, there have been a number of consumer awareness campaigns in recent years, led by actors from the public sphere (mainly FSA), private sphere (e.g. CONSO.RO) or NGO sphere (APPA-Asigurari, AURSF and others). Consumer associations such as APPA-Asigurari and AURSF, however, complain that such consumer awareness campaigns do not occur often enough.

FSA has been improving its online presence in recent years in order to make its information more easily accessible to consumers. This involves the drafting of guides or reports such as a motor third-party liability guide<sup>681</sup> or helpful articles on contractual issues<sup>682</sup>. In addition, it helped pass a law in 2014 making it mandatory for insurance companies to clearly specify on their website information on the number of complaints received and their success rate. Other activities, as described by FSA during an interview, include a national financial education programme, launched in September 2015 and targeting secondary and high school students. This was later on extended to university students, and includes information not only on insurance, but on other non-banking markets such as private pensions and capital markets.

Consumer associations such as AURSF and APPA, as indicated before, have been running campaigns to familiarise consumers with the risks and rights they have when buying insurance products. These ranged from having caravans go through every major city spreading information, to spreading flyers in malls, to producing unbiased online content. In terms of content, online platforms such as CONSO.RO<sup>683</sup> also aim at guiding consumers in an unbiased way through market analyses, although comparison tools are still lacking, as indicated above. APPA also organised 14 national public information campaigns since 2010, covering non-life topics like motor insurance, household insurance, travel insurance, etc.

Comparison tools were also demanded by stakeholders such as the FSA, UNSAR and the Capital Market Investors Association in their replies to **the European Commission's Green Paper** consultation. They point out to EU level tools to improve transparency, comparability and ultimately consumer trust.

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<sup>681</sup> <http://asfromania.ro/consumatori/consumatori-asigurari/ghidul-rca>

<sup>682</sup> <http://asfromania.ro/consumatori/consumatori-asigurari/informatii-utile>

<sup>683</sup> <http://www.conso.ro/asigurari>

### 6.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from Romania

#### 6.3.1. Factors potentially leading to problems with consumer decision-making

The main difficulty in consumer decision-making, as indicated by all stakeholders in interviews, is a lack of financial education. In addition, there is a lack of technical tools necessary to create unbiased online comparison tools. AURSF and CONSO.RO have tried to create such tools, but highlighted that there is not enough information available on prices and type of coverage to feed them with. In addition, as AURSF indicated, the price is not the only relevant criterion: in the past 5-6 years, around half of the largest providers of motor insurance went bankrupt (most recently, Astra declared bankruptcy in December 2015), due in part to the harsher economic conditions imposed by the recent financial crisis. This means that a good comparison tool should also consider the ability of insurers to respect their contract. NGOs and consumer associations, according to stakeholder interviews, expect FSA to provide answers on this and on other tools.

#### 6.3.2. Remedies that have been proposed or put in place

The newly-implemented ADR mechanism **described in 'Overview of complaints' in section 6.2.3** has raised hopes in the market that it can address problems arising from the lack of consumer awareness.

**Stakeholders involved in the European Commission's Green Paper consultation (Romanian Banking Institute, the FSA, the Capital Market Investors Association and UNSAR)** point out that information campaigns by regulators and by consumer organisations can raise awareness about the different types of insurance products available. UNSAR also advocated for an independent pan-European comparison website which would include information on cross-border products.

According to FSA, as mentioned previously, the new FSA rule that insurers need to clearly indicate, on their website, the number of complaints received and their success rate may help consumers better realise what is behind the low policy prices.

The upcoming report from the FSA, analysing the contractual conditions of contracts from the three largest insurance firms in Romania should also provide answers as to how best to tackle problems in the market<sup>684</sup>. Indeed, APPA-Asigurari and AURSF noted that the local market does not produce studies but relies only on experience. However, APPA-Asigurari highlighted that such a study would be very helpful as an evidence-based starting point for further exploring the problems in the market, to then try and solve them.

Another potential solution raised by stakeholders is to increase the penalties for misbehaviour – in 2014, FSA fined four large insurance firms, and asked another firm to amend its practices. They suggest making them a percentage of **the insurer's turnover**, rather than a fixed sum, as the opportunity cost for insurers to digress rules is large in Romania.

Solutions are also expected from the EU normative acts, the influence of which (such as Directive 2013/11/EU, or EU ADR Directive) has triggered changes at national level, such as the new ADR system. APPA-Asigurari and AURSF indicate that the upcoming PID and KID for PRIIPs regulations will help consumers understand the basic features of insurance products. KID (key information document - a simple document giving key facts to investors in a clear and understandable manner) for PRIIPs (Packaged Retail and Insurance-based

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<sup>684</sup> Information from FSA in written survey on May 20th, 2016.

Investment Products) regulations<sup>685</sup> will help consumers understand the basic features of an insurance product. The KID regulation (286/2014), passed in November 2014, obliges those who produce or sell investment products (including insurance) to provide standardised KIDs about them. The regulation details the format that KIDs should take, and it should be implemented from January 2017.

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<sup>685</sup> For more information, please check [http://ec.europa.eu/finance/finservices-retail/investment\\_products/index\\_en.htm](http://ec.europa.eu/finance/finservices-retail/investment_products/index_en.htm)



## 7. Country Report: Slovakia

### 7.1. Non-life insurance market

#### 7.1.1. Non-life insurance

##### *Overview of the national market*

In 2015, there were 16 insurance companies providing insurance services (in life and non-life sectors) based in the Slovak Republic<sup>686</sup>. Additionally, there were 24 insurance and reinsurance companies selling insurance products (1 life insurance company, 1 reinsurance company, 3 universal insurance companies, 19 non-life insurance companies) in Slovakia while having their seat in another country and providing their services through their local Slovak branches under the freedom of establishment (FOE)<sup>687</sup>. On top of this, according to the Analysis of the Slovak financial sector for 2015, in 2014, there were another 103 entities that provided their services on the Slovak insurance market under the freedom to provide services (FPS) without having established local branches<sup>688</sup>. According to **Insurance Europe's European insurance industry database, in 2013 there were 3** companies providing only non-life insurance products and 14 providing both life and non-life on the Slovakian market <sup>689</sup>. The following table combines the data from these sources.

Table 157: Number of insurance companies in Slovakia

	2011	2012	2013	2014	2015
Number of Slovak insurance companies <sup>1</sup>	20	18	17	17	16
Number of foreign insurance companies <sup>2</sup>	-	-	21	21	24
Companies providing exclusively non-life insurance in Slovakia <sup>3</sup>	3	3	3	-	-
Companies providing both life and no-life insurance in Slovakia <sup>3</sup>	13	14	14	-	-

1 Source: Národná banka Slovenska

2 Source: For years 2011 and 2012: No data available; For 2013: Insurance market development trends in the Slovak Republic; For years 2014 and 2015 Národná banka Slovenska

3 Source: Insurance Europe, 2016, Structural Data

According to the Report on the status and development of the Slovak financial market from 2015, the non-life insurance market has been increasing in 2014 thanks to the increase in technical premiums<sup>690</sup> (especially in motor collision insurance and property

<sup>686</sup> Národná banka Slovenska, 2015, Správa o činnosti útvaru dohľadu nad finančným trhom Národnej banky Slovenska. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/SC-UDF\\_2015\\_web.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/SC-UDF_2015_web.pdf)

<sup>687</sup> Národná banka Slovenska, 2016, Analýza slovenského finančného sektora za rok 2015. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalzyaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalzyaSFS2015.pdf)

<sup>688</sup> Národná banka Slovenska, 2016, Analýza slovenského finančného sektora za rok 2015. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalzyaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalzyaSFS2015.pdf)

<sup>689</sup> Insurance Europe, 2016, European insurance industry database – Structural data. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>. European insurance industry database provides figures on the domestic market that include domestic companies and their subsidiaries and branches of non-EU/EEA companies with regard to the number of insurance companies operating in Slovakia in life and non-life insurance sectors up until 2013 with some data gaps.

<sup>690</sup> Technical premiums are the total amount of premiums adjusted by premiums cancelled and discounts provided on premiums, payable under the insurance policies for the given period of time.



insurance) that reached 939 million EUR (2.9% increase from 2013)<sup>691</sup>, however, profits of insurance companies have been diminishing. In 2015, profits dropped by 20% onto 130 million EUR mainly because of the decrease of financial results and aggravation of technical results in non-life insurance sector. The technical result in non-life insurance decreased by 16.7 million EUR due to rising operating costs. The growth of expenses connected to claims was accompanied by a decrease in technical reserve for claims and growth in earned premiums. The growth of operating costs in non-life insurance may have been due to increased costs related to the preparation for a new regulation - Solvency II. Overall, growth of operating costs (in life and non-life sectors) was 34 million EUR, with commissions growing especially rapidly (+ 7.5% year-on-year).<sup>692</sup>

The number of Slovak insurance companies has been decreasing, among other reasons due to a change in their legal status from an insurance company based in Slovakia to a branch of an insurance company from another Member State, while the share and number of foreign insurance companies offering insurance products through their established branches in Slovakia under freedom of establishment has been increasing (as seen in Table 157: ). In 2009, these companies had a 5% share of the market. In 2016 and for the past five years, this share increased to 9%. Furthermore, the Report highlights that the market share of foreign insurance companies differs from product to product, however, in the main branches of the non-life insurance sector (Third party motor liability (M3PL), motor collision insurance and property insurance) it fluctuates between 2 to 8%. A more detailed description for some of the products that are subject to this study will be provided in the sections below.<sup>693</sup>

According to the research article *Insurance market development trends in the Slovak Republic*<sup>694</sup>, two insurance companies have a dominant position on the Slovak insurance market. These are Allianz – **Slovenská poisťovňa, a.s.** and **KOOPERATIVA poisťovňa, a.s.** Vienna Insurance Group, both based in Slovakia. The article states that Allianz –**Slovenská poisťovňa** has a stronger position than KOOPERATIVA in the non-life Slovak insurance market. In 2013, **Allianz's** share in the non-life insurance sector for products provided by domestic insurance companies amounted to 35.8% whereas KOOPERATIVA achieved 27.5%. Other companies with an important share of the insurance market in non-life sector **are Generali Slovensko poisťovňa, a.s. and UNIQA poisťovňa, a.s.** The European insurance industry database indicates that in 2012 the five most prolific non-life insurance companies held 86% of the Slovak non-life insurance market, a 1% decline from the previous year<sup>695</sup>.

According to the European insurance industry database and as presented in Table 2 of Annex I, the total non-life insurance sector density in Slovakia in 2014 was 178 EUR per person including health and 172 excluding health premiums. It has increased by 17 EUR from 2011, however, between 2011 and 2012, the total density declined by 1 EUR before growing by 13 EUR between 2012 and 2013 and further 5 EUR in 2014.

<sup>691</sup> Národná banka Slovenska, 2015, *Správa o stave a vývoji finančného trhu za rok 2014*. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_financneho\\_trhu\\_za\\_rok\\_2014.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_financneho_trhu_za_rok_2014.pdf)

<sup>692</sup> Národná banka Slovenska, 2016, *Analýza slovenského finančného sektora za rok 2015*. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalzaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalzaSFS2015.pdf)

<sup>693</sup> Národná banka Slovenska, 2016, *Analýza slovenského finančného sektora za rok 2015*. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalzaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalzaSFS2015.pdf)

<sup>694</sup> Masárová J., E. Koišová and M. Šedivá, 2015, *Trendy vo vývoji poisťného trhu v Slovenskej Republike, Sociálno-ekonomická revue, Fakulta sociálno-ekonomických vzťahov, Trenčianska univerzita Alexandra Dubčeka v Trenčíne*, pp. 26 - 34. Available at: [http://fsev.tnuni.sk/fileadmin/veda\\_a\\_vyskum/SER/2015/Socialno\\_ekonomicka\\_revue\\_volume\\_1\\_2015.pdf](http://fsev.tnuni.sk/fileadmin/veda_a_vyskum/SER/2015/Socialno_ekonomicka_revue_volume_1_2015.pdf)

<sup>695</sup> The share of the top 5 non-life insurance companies on the non-life insurance market in Slovakia has been slowly decreasing since 2009 when the share was 91%. Insurance Europe, 2016, *European insurance industry database – Structural data*. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

Total penetration in the non-life insurance sector has been more or less stable between 2011 and 2014, growing from 1.2% in 2012 to 1.3% in 2013, a value that was maintained in 2014 as well (including health), as illustrated in Table 1 of Annex I.

Companies that wish to sell insurance products in the Slovak territory have to fulfil certain obligations and law regulations. The most recent law that has come into full effect on 1 January 2016 is the Act No. 39/2015 Coll. on Insurance and amendment of certain laws (resulting from amendments made by Act No. 359/2015 Coll., Act No. 437/2015 and Act No. 125/2016 Coll.)<sup>696</sup>. This Act fully transposes the Solvency II. Directive 2009/183/EC into the Slovak law. The Act defines the relations pertaining to the establishment, organisation, management and implementation of activities of insurance and reinsurance companies. It also amends the conditions under which insurance and reinsurance companies from other Member States and foreign insurance and reinsurance companies<sup>697</sup> can provide their insurance products in Slovakia. Furthermore, the Act amends some relations governing the supervision of the insurance sector.<sup>698</sup> For example, according to the national supervisory authority interviewees, companies offering M3PL have to make a monetary contribution to the national system of insurance.

Other acts that regulate the insurance sector in Slovakia are Act No. 161/2011 Coll. amendments to the Civic Code (Head 15 – Insurance contracts §§ 788 -828a)<sup>699</sup>, Act No. 180/2013 Coll. on third party liability insurance for damage caused by motor vehicles and amending certain acts<sup>700</sup>, and Act No. 186/2009 Coll. on financial intermediation and financial consulting and amendments to certain laws (resulting from amendments made by Act No. 129/2010 Coll. and Act No. 132/2013 Coll.)<sup>701</sup>.

Head 15 of the Civic Code defines insurance contracts. The Head is divided into nine chapters: Ch. 1 Insurance contract, Ch. 2 Signing of an insurance contract, Ch. 3 Insurance rights and obligations, Ch. 4 Termination of insurance, Ch. 5 Change of insurance, Ch. 6 Property insurance, Ch. 7 Personal insurance, Ch. 8 Liability insurance, Ch. 9 Legal Protection insurance. This law sets forward the requirements that insurance contracts need to contain, what is necessary to fulfil before signing an insurance contract, and what are the rights and obligations stemming from the insurance contracts. It also further defines obligations under property insurance, insurance of individuals and liability insurance. With regard to property insurance, Chapter 6 for example states that the insured person has the right to receive a pay-out as per the amount determined in policy conditions, when an incident relates to a matter where the insurance applies (§ 806); the insured is entitled to compensation for expenses incurred to prevent an incident which directly threatened the insured property and also has the right to reimbursement of costs purposefully incurred to mitigate the consequences of an insured event (§810); insurance may cover assets other than those belonging to the policyholder in accordance with the policy conditions (§815).<sup>702</sup>

Act no. 180/2013 Coll. implements the EU Motor Insurance Directive 2009/103/EC into the Slovak law. The Act provides definitions of the vocabulary related to motor third party liability insurance and it also establishes the obligation to be insured for those who own a

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<sup>696</sup> Act No. 39/2015. Available at:

[http://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z0392015.pdf](http://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z0392015.pdf)

<sup>697</sup> Insurance and reinsurance companies with headquarters in a country other than an EU Member State and that have permission to sell insurance products in the country where their headquarters are located.

<sup>698</sup> Act No. 39/2015. Available at:

[http://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z0392015.pdf](http://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z0392015.pdf)

<sup>699</sup> Act No. 161/2011 Coll. Available at:

[https://www.slaspo.sk/tmp/asset\\_cache/link/0000034994/Ob%E8iansky%20z%E1konn%EDk.pdf](https://www.slaspo.sk/tmp/asset_cache/link/0000034994/Ob%E8iansky%20z%E1konn%EDk.pdf)

<sup>700</sup> Act No. 180/2013 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z3812001.pdf](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z3812001.pdf)

<sup>701</sup> Act No. 186/2009 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z1862009.pdf](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z1862009.pdf)

<sup>702</sup> Civic Code as amended by Act No. 161/2011 Coll.

vehicle that participates in vehicular traffic. Furthermore, the Act establishes the extent of the insurance liability and determines the limits of insurance coverage. It also outlines the responsibilities of the insured party in terms of timely report of an accident to the insurer (15 days after the incident if it occurred in Slovakia, 30 days if it occurred in another MS), or of notification in writing to the insurer if criminal prosecution or misdemeanour proceedings have been started in connection to the insurance accident. The law also lists requirements for the termination of the insurance contract.<sup>703</sup>

Act No. 186/2009 Coll. defines financial intermediation and consulting, registry of financial agents, consultants and intermediaries from other Member States and supervision of financial intermediaries and consultants. It also contains some definitions pertaining to this area of financial services, such as financial agent, subordinate financial agent or clients. The Act also constitutes a creation of a registry where all persons providing financial intermediation and consulting need to be registered. Furthermore, the Act sets forwards conditions for implementation of financial intermediation and financial advice.<sup>704</sup>

The national authority in charge of the supervision and regulation of the insurance market is the National Bank of Slovakia (Národná banka Slovenska – NBS). Its competences as a supervisor of the Slovak insurance market are defined in Act. 403/2010 Coll. on National Bank of Slovakia<sup>705</sup>. One of its competences as the supervisor and regulator of the insurance market is that the NBS can interfere in insurance contracts, for example, should an insurance company become insolvent or act in breach with the laws and regulations mentioned above.

Other laws and regulations that further specify supervision of the insurance market and customer protection are Act No. 747/2004 on financial market supervision and amendments to certain acts<sup>706</sup> and Act No. 129/2010 Coll. on consumer protection in financial services provided from distance and amendments to certain acts<sup>707</sup>.

**The NBS's Report on Activities of the Department of Supervision of the Financial Market of the National Bank of Slovakia<sup>708</sup>** states that in 2015, the Department of Supervision of the Financial Market has conducted six proceedings about imposing a sanction and three proceedings about imposing a sanction have started. Three decisions were published about imposing a sanction - one decision imposing a fine and two decisions imposing a fine and simultaneously an action on elimination and rectification of discovered deficiencies. In 2015, two first instance rulings on imposing a sanction came into legal effect.<sup>709</sup>

Non-life insurance is governed by Act No. 8/2008 Coll. on insurance and amendments to certain laws<sup>710</sup>. The sector is divided into 6 categories:

1. Accident insurance;
2. Sickness insurance;

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<sup>703</sup> Act. No. 180/2013 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z3812001.pdf](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z3812001.pdf)

<sup>704</sup> Act No. 186/2009 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z1862009.pdf](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z1862009.pdf)

<sup>705</sup> Act No. 403/2010 Coll. Available at:

[https://www.slaspo.sk/tmp/asset\\_cache/link/0000035003/Z%E1kon%20o%20NBS.pdf](https://www.slaspo.sk/tmp/asset_cache/link/0000035003/Z%E1kon%20o%20NBS.pdf)

<sup>706</sup> Act No. 747/2004 Coll. Available at:

[https://www.slaspo.sk/tmp/asset\\_cache/link/0000047880/z%E1kon%20o%20doh%20B5ade.pdf](https://www.slaspo.sk/tmp/asset_cache/link/0000047880/z%E1kon%20o%20doh%20B5ade.pdf)

<sup>707</sup> Act No. 129/2010 Coll. Available at:

[https://www.slaspo.sk/tmp/asset\\_cache/link/0000035009/Z%E1kon%20o%20ochrane%20pri%20fin%20slu%20BEb%E1ch.pdf](https://www.slaspo.sk/tmp/asset_cache/link/0000035009/Z%E1kon%20o%20ochrane%20pri%20fin%20slu%20BEb%E1ch.pdf)

<sup>708</sup> Národná banka Slovenska, 2015, **Správa o činnosti útvaru dohľadu nad finančným trhom Národnej banky Slovenska**. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/SC-UDF\\_2015\\_web.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/SC-UDF_2015_web.pdf)

<sup>709</sup> The source does not specify what sector of insurance, life or non-life, these numbers refer to.

<sup>710</sup> Act No. 8/2008 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z0082008.PDF](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z0082008.PDF)

3. Property insurance;
  - a. Natural risks;
  - b. Technical risks;
  - c. Liability risks;
  - d. Financial risks;
4. Liability insurance;
5. Insurance of other interests;
6. Insurance of financial risks.

Travel insurance (coverage of medical expenses and add-on travel insurance<sup>711</sup>) belongs to sickness insurance category. Property insurance is divided into property insurance and household content insurance and may contain assistance insurance. Liability insurance is an insurance against financial consequences resulting from accidents caused by a third party and is divided by its obligatory nature into liability insurance required by law, compulsory liability insurance and voluntary liability insurance. Legal liability insurance is defined by law and there is no insurance contract. At the moment, there is no legal liability insurance in commercial insurance as legal liability insurance is only applied in social insurance. In comparison to legal liability insurance, the law states that a compulsory liability insurance contract has to be signed but the conditions of the insurance are defined in the insurance contract. Compulsory liability insurance is applicable to third party motor insurance.<sup>712</sup>

Travel insurance, household and motor insurance, will be described in more detail in the sections below.

Over the past five years, the number of insurance contracts has been steadily increasing, as shown in Table 158. The data obtained do not specify whether it is the number of insurance contracts sold or held.

Table 158 : Number of non-life insurance contracts in Slovakia

	2011	2012	2013	2014	2015
Number of non-life insurance contracts	7,578,388	7,709,491	7,933,270	8,253,225	8,624,139

Source: *Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.*

M3PL insurance is the only insurance in the non-life sector in Slovakia that is compulsory by national<sup>713</sup> and European law<sup>714</sup>. All other insurance products are not compulsory. However, for example, when a person applies for a mortgage, one of the mortgage provider's requirements is that they have to acquire household insurance as well. As

<sup>711</sup> Following products may be considered as add on travel insurance by individual insurance companies in Slovakia: luggage insurance and insurance against loss of documents; accident insurance; cancellation fee insurance; insurance of legal expenses incurred abroad; liability insurance when traveling abroad; insurance of travel cost for next of kin, a guardian or visiting relative of the insured person; insurance of costs in case of an illness of a child; coverage of travel costs in case of an immobile vehicle; or coverage of unsuccessful holiday.

<sup>712</sup> *FINinfo MF SR, 2013, Neživotné poistenie.* Available at: <http://www.fininfo.sk/sk/financne-produkty/poistovnictvo/nezivotne-poistenie> [Last updated: 6.9.2013]

<sup>713</sup> Act No. 180/2013 Coll. on liability insurance for damage caused by motor vehicles and amending certain acts. Available at: [https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z3812001.pdf](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z3812001.pdf)

<sup>714</sup> EU Motor Insurance Directive 2009/103/EC

interviewees mentioned (FSUG<sup>715</sup> expert and SOS Poprad<sup>716</sup> consumer association), the law prohibits for a specific insurance to be already included in the mortgage contract and **forbids any coercive tactics from the mortgage brokers' side, but because of its "convenience" consumers tend to buy the insurance that the mortgage institution offers them.**

**According to Insurance Europe's Indirect taxation on insurance contracts in Europe, there is no regular premium tax in Slovakia with regard to insurance products.**<sup>717</sup>

When asked about the impact of the new Insurance Distribution Directive (IDD), the NBS interviewees responded that a lot of the regulations are already included in the Slovak laws on insurance and their amendments in the past five years or so. The NBS interviewees believe that overall the IDD will have a positive impact and will contribute to a better protection of consumers. The inclusion of product governance in the IDD was especially welcomed and the interviewees stated that it will lead to improved consumer awareness.

Overall, the national authority interviewees stated that it is difficult to find data in Slovakia in the scope of the study. They indicated that they do have some more in depth data, but that they are only able to publish the most common data, such as most common products and claims, while any other collected data serves for internal purposes only. The interviewees also expressed concerns with regard to the confidentiality of the data provided and the future possible accessibility of the study by wider public.<sup>718</sup>

Furthermore, the statistical data does not distinguish between Business-to-Customer and Business-to-Business purchases, as highlighted by a consulted representative of the Slovak Insurance Association. The stakeholders interviewed (NBS, SOS Poprad, FSUG expert, ECC SK) and the national reports did not provide estimates for these purchases.

#### *Overview of premiums*

The National Bank of Slovakia collects and publishes quarterly statistics on written, called technical<sup>719</sup>, and earned premiums in the non-life insurance sector in the categories mentioned above. Insurance Europe provides statistics on gross written premiums in the non-life insurance sector in Slovakia, presented in Table 5 of Annex I.

Table 159 : Technical premiums in non-life insurance in Slovakia

	2011	2012	2013	2014	2015
Technical premiums (million EUR)	946.2	924.8	912.1	938.9	965.3

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

<sup>715</sup> Financial Service User Group of the European Commission. More information at: [http://ec.europa.eu/finance/finservices-retail/fsug/index\\_en.htm](http://ec.europa.eu/finance/finservices-retail/fsug/index_en.htm)

<sup>716</sup> Consumer association specialising in ADR, consumer protection and financial education. The association also runs a Senior Ombudsman project that specialises in the protection of rights of senior citizens. More information at: <http://www.sospotrebitelov.sk/>

<sup>717</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.insuranceeurope.eu/indirect-taxation-insurance-contracts-europe-2016>

<sup>718</sup> The NBS does publish on their website quarterly statistics on life and non-life insurance. In the statistics of non-life insurance sector data for the following categories are included: Accident and illness insurance with individual health insurance; Liability insurance for damage caused by motor vehicles; Damage insurance on ground vehicles; Damage insurance on other than ground vehicles; Liability insurance of carriers; Property insurance; General liability insurance; Insurance of credit, deposit and miscellaneous financial loss; Legal protection insurance; Assistance insurance; Active reinsurance.

<sup>719</sup> Total amount of premiums adjusted by premiums cancelled and discounts provided on premiums, payable under the insurance policies for the given period of time.

The decrease in 2011 and 2012 in premiums volumes could be accredited to the economic and financial crisis, as the research article *Insurance market development trends in the Slovak Republic* suggests that the performance of the insurance sector is closely linked to the national economic performance.<sup>720</sup> **More recently, the OECD's Global Insurance Market Trends Report's accompanying statistics**<sup>721</sup> noted that in 2014, the gross written premium in non-life insurance sector in Slovakia increased by 2.7%.

According to the research article *Insurance market development trends in the Slovak Republic*, the average technical premium in the non-life insurance sector in 2013 was 114.97 EUR, a decrease from 145.85 EUR in 2008.<sup>722</sup>

Table 160 : Earned premiums in non-life insurance in Slovakia

	2011	2012	2013	2014	2015
Earned premiums (million EUR)	929.9	926.6	916.8	927.8	953.7

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

Similarly to technical premiums, earned premiums decreased between 2011 and 2013, and increased steadily year-on-year between 2013 and 2015.

#### Overview of data on claims

The NBS collects statistical data quarterly on the number of claims paid and amount of claim paid for the non-life insurance sector in total and for each of its categories separately. Additionally, Insurance Europe also provides data on claims paid up until 2013. The number of claims paid has been diminishing between 2011 and 2014 from 411,927 to 383,080 but has increased again in 2015 to reach 411,161.

Table 161 : Number of non-life claims paid in Slovakia

	2011	2012	2013	2014	2015
Number of non-life claims paid	411,927	402,803	405,002	383,080	411,161

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

The amount of claims paid has been fluctuating in the past five years as presented in the table below.

<sup>720</sup> Masárová J., E. Koišová and M. Šedivá, 2015, Trendy vo vývoji poisťného trhu v Slovenskej Republike, Sociálno-ekonomická revue, Sociálno-ekonomická revue, Fakulta sociálno-ekonomických vzťahov, Trenčianska univerzita Alexandra Dubčeka v Trenčíne, pp. 26 - 34. Available at: [http://fsev.tnuni.sk/fileadmin/veda\\_a\\_vyskum/SER/2015/Socialno\\_ekonomicka\\_revue\\_volume\\_1\\_2015.pdf](http://fsev.tnuni.sk/fileadmin/veda_a_vyskum/SER/2015/Socialno_ekonomicka_revue_volume_1_2015.pdf)

<sup>721</sup> OECD, 2016, Global Insurance Market Trends 2015: Accompanying Statistics. Available at: <http://www.oecd.org/finance/insurance/globalinsurancemarkettrends.htm>

<sup>722</sup> Masárová J., E. Koišová and M. Šedivá, 2015, Trendy vo vývoji poisťného trhu v Slovenskej Republike, Sociálno-ekonomická revue, Sociálno-ekonomická revue, Fakulta sociálno-ekonomických vzťahov, Trenčianska univerzita Alexandra Dubčeka v Trenčíne, pp. 26 - 34. Available at: [http://fsev.tnuni.sk/fileadmin/veda\\_a\\_vyskum/SER/2015/Socialno\\_ekonomicka\\_revue\\_volume\\_1\\_2015.pdf](http://fsev.tnuni.sk/fileadmin/veda_a_vyskum/SER/2015/Socialno_ekonomicka_revue_volume_1_2015.pdf)



Table 162 : Non-life claims paid in Slovakia

	2011	2012	2013	2014	2015
Non-life claims paid (million EUR)	518	452	470	450	494

Source: 2011 – 2013: Insurance Europe, 2015, Statistics No. 50 European Insurance in Figures 2015; 2014 – 2015: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

The table below presents the evolution of claims ratios for non-life insurance. Claims ratios fluctuated between 2011 and 2015, with an overall slight improvement at 51.8% in 2015 compared to 55.7% in 2011.

Table 163: Non-life claims ratios in Slovakia

	2011	2012	2013	2014	2015
Non-life claims ratio (in %)	55.7	48.78	51.27	48.5	51.8

Source: Based on calculation of non-life claims paid divided by earned premiums (NBS figures)

According to the Annual report on the development of the Slovak financial market for year 2015<sup>723</sup> published by the NBS, the combined ratio for the whole non-life insurance market was 85.8% which was an 1.4% increase from the previous year. With the exception of motor collision cover insurance, none of the combined ratios in the different sectors of non-life insurance did exceed 100%. In 2014, the combined ratio for insurance companies providing their services under freedom of establishment reached 100.5%. Costs are about 14% higher for insurance companies providing their services in Slovakia through freedom of establishment than for domestic insurance companies.<sup>724</sup>

Table 164 : Total combined ratio in non-life insurance in Slovakia

	2014	2015
Total combined ratio	84.4%	85.8%

Source: Národná banka Slovenska, 2016, Správa o stave a vývoji finančného trhu za rok 2015.

### 7.1.2. Household insurance

#### *Overview of the selected products*

Property insurance (or household insurance) is one of the categories of non-life insurance in Slovakia defined by law<sup>725</sup> and can be divided into property<sup>726</sup> (building) insurance and household content insurance.

<sup>723</sup> Národná banka Slovenska, 2016, Analýza slovenského finančného sektora za rok 2015. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalyzaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalyzaSFS2015.pdf)

<sup>724</sup> Národná banka Slovenska, 2016, Analýza slovenského finančného sektora za rok 2015. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalyzaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalyzaSFS2015.pdf)

<sup>725</sup> Act No. 8/2008 Coll. on insurance and amendments to certain laws

<sup>726</sup> Household insurance in Slovakia is called Property insurance (Poistenie majetku) and is divided into property insurance (poistenie majetku) and household content insurance (poistenie vybavenia domacnosti) which are equivalent to building insurance and content insurance respectively. The same wording is therefore used for the insurance category and one of its products.

## Property/building insurance

Property/building insurance (Poistenie majetku) focuses on damages that may arise to the property or furniture located within the property of a natural or legal person. In the case of a natural person, immovable property is covered by insurance of privately owned flats, completed house and those under construction. Movable property is covered by household content insurance. Property insurance covers buildings or other structures that are listed in the policy.

In most cases, property insurance includes:

- Small structures not intended for living, e.g. garden shed;
- Walls, fences that define the border of the property;
- Outdoor paving, pavements;
- Outdoor and garden lighting;
- Construction materials, construction tools and machinery when located on the site of the property;
- Antenna systems, solar panels, intrusion detection systems, connections cables and pipeline grids situated on the site of the insured property;
- Awnings, exterior shutters, terraces, pergolas;
- Tanks for gas and fuel oil (without fuel);
- Glass as agreed in the insurance contract (windows, entrance doors, glass partitions of outer railings, solar collectors, interior doors fillings, glass partitions etc.);
- Demolition costs, removal of the remains of the building, cleaning up of the property in the event of claim.

Property insurance can be arranged against damages or destruction of the property by these elements:

- Fire, explosion, lightning, airplane collision or airplane crash;
- Deluge, flood, windstorm, hailstorm, landslide, collapse of rocks or soil, landslide or collapse of avalanches, falling trees and poles, earthquakes, weight of snow or ice;
- Water from water mains (leakage, water burst);
- Theft and robbery;
- Vandalism;
- Damages to the property caused by a vehicle crash;
- Smoke, overvoltage.

Insurance coverage can differ between individual insurance products offered by individual insurance companies. Some products may not cover for example the risk of vandalism, smoke and overvoltage or flooding. Act No. 8/2008 Coll.<sup>727</sup> specifies that property insurance may cover damages caused by fire, explosion, gales, natural elements other than gales, nuclear energy, and by landslide or subsidence. In addition, the Act allows for insurance against damages incurred by hailstorm, frost or other reasons such as theft.

The insured person determines himself/herself the amount to which he/she wants the property insured. The insured sum should be established in a way that in the event of a claim it would correspond to the costs incurred for rebuilding the property in the same style and quality.<sup>728</sup>

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<sup>727</sup> Act No. 8/2008 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z0082008.PDF](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z0082008.PDF)

<sup>728</sup> **FINinfo MF SR, 2013, Neživotné poistenie.** Available at: <http://www.fininfo.sk/sk/financne-produkty/poistovnictvo/nezivotne-poistenie> [Last updated: 6.9.2013]



## Household content insurance

Household content insurance (Poistenie vybavenia domácnosti) covers a set of domestic appliances within an apartment, house, holiday home - movable property used in connection with the running of the household and used for personal consumption by household members.

The set of household equipment consists of:

- the movable property, owned by the insured persons;
- movable property which the insured person uses on the basis of a written contract with an entity renting or leasing things as a business activity.

The insurance also covers building components of the insured household – paintings, wallpaper, special flooring, tiles and others. It also includes valuables, works of art and antiques, electronic and optical equipment, bicycles, baby carriages, wheelchairs, fuel supplies, home workshops.

Insurance policy may include an exclusion clause, a list of things that are not covered by insurance.

In most cases, the content of the household is insured against damages or destruction by:

- Fire, explosion, lightning, shock or airplane crash;
- Flood, flood, windstorm, hailstorm, landslide, collapse of rocks or soils, landslide or collapse of avalanches, falling trees and poles, earthquakes, weight of snow or ice;
- Water from water mains (leakage, water burst);
- Precipitations;
- Theft and robbery;
- Vandalism;
- Damages to the property caused by a vehicle crash;
- Smoke, overvoltage.

Insurance can also cover:

- damages caused to items in refrigeration and freezer equipment due to power failure;
- damages caused by the electric engines in household appliances.

Insurance coverage can differ between individual insurance products.<sup>729</sup>

## Packages

Insurance companies offer a variety of property insurance products. It is possible to buy each of these products separately or in packages as illustrated in table below.

Table 165 : Examples of household insurance packages in Slovakia

Insurance Package	Contains
<sup>730</sup>	<ul style="list-style-type: none"> <li>• Building and ancillary buildings insurance</li> <li>• Household content insurance</li> <li>• Garden insurance</li> <li>• Liability insurance</li> </ul>

<sup>729</sup> FINinfo MF SR, 2013, **Neživotné poistenie**. Available at: <http://www.fininfo.sk/sk/financne-produkty/poistovnictvo/nezivotne-poistenie> [Last updated: 6.9.2013]

<sup>730</sup> Allianz - **Slovenská poisťovňa**, 2016, Poistenie domácnosti a budov - Môj domov. Available at: [https://www.allianzsp.sk/poistenie-domacnosti-a-nehnutelnosti-moj-domov#flap\\_77360\\_7](https://www.allianzsp.sk/poistenie-domacnosti-a-nehnutelnosti-moj-domov#flap_77360_7) [Last Accessed 07/07/2016]

Insurance Package	Contains
	<ul style="list-style-type: none"> <li>• Glass insurance</li> <li>• Gravestone insurance</li> <li>• Extra: Insurance Privát plus<sup>731</sup></li> </ul>
II <sup>732</sup>	<ul style="list-style-type: none"> <li>• Property insurance</li> <li>• Household content insurance</li> <li>• Liability insurance</li> <li>• Free Assistance services</li> </ul>

Source: Allianz - Slovenská poisťovňa, 2016; and Poisťovňa Generali, 2016.

In the Insurance Package I the building and ancillary buildings insurance refers to insurance of a family house, flat, commercial premises, cottage, garage, farm buildings, gazebos, sheds, swimming pools, fences, solar panels and any other ancillary constructions, even when these are not next to the main house/flat/cottage. Household content insurance refers to all movable property in household, such as furniture, carpets, accessories, clothes, sporting equipment, household appliances, electronics and things for personal usage. Garden insurance can be taken out by the owner or leaseholder of the property and refers to utility and decorative gardens in the Slovak territory and includes damages caused by natural perils, fire, explosion, crash of objects (vehicles, airplanes and other objects) or destruction of trees by weight of ice or snow (insured parties may choose to pay premium per square meter or per tree). Liability insurance covers damages incurred due to the activities of the members of the household and animal in the place of insurance (household) or outside of it and damages in relation to the possession and ownership of the property or property damage from transport of technical, energy or technological building equipment. Glass insurance covers building components made out of glass, such as glass doors, and embedded glass (like windows, entrance doors) and other glass household components, such as mirrors, aquariums or solar panels. Gravestone insurance includes the gravestone and all his construction components. Insurance Privát plus can provide assistance in cases like when the property owner is locked out of his/her property or there is a radiator leakage. The contract is concluded without an excess unless otherwise stated in the insurance contract.<sup>733</sup>

In the Insurance Package II, property insurance is described as an insurance of the solid parts of the so-called house or flat structure (either completed, under-construction or reconstruction) and covers also adjacent structures, such as garden sheds, fences, gazebos and other that are located on the same estate as the insured property. Household content insurance refers to insurance of movable properties that comprise the insurers household, this includes furniture, electronics, kitchenware, textile, sporting equipment and others. Liability insurance covers damages caused by the person insured, his/her relatives and pets on things, property or health of others. Assistance services provide assistance in unforeseen situations and assist with events the person is insured for. These services are provided free of charge with property insurance<sup>734</sup>.

<sup>731</sup> Assistance in situations such as when a consumer is locked out of his/her property, or there is water leakage from the heating.

<sup>732</sup> Poisťovňa Generali, 2016, Poistenie majetku DOMino. Available at: <http://www.generali.sk/produkty/majetok-pek/domino/> [Last Accessed 07/07/2016]

<sup>733</sup> Allianz - Slovenská poisťovňa, 2016, Poistenie domácnosti a budov - Môj domov. Available at: [https://www.allianzsp.sk/poistenie-domacnosti-a-nehnutelnosti-moj-domov#flap\\_77360\\_7](https://www.allianzsp.sk/poistenie-domacnosti-a-nehnutelnosti-moj-domov#flap_77360_7) [Last Accessed 07/07/2016]

<sup>734</sup> Poisťovňa Generali, 2016, Poistenie majetku DOMino. Available at: <http://www.generali.sk/produkty/majetok-pek/domino/> [Last Accessed 07/07/2016]

Based on the research of property insurance products offered by the four most prominent non-life insurance companies on the Slovak market, building insurance products include insurance against fire, explosion, lightning, theft or vandalism. While some companies offer insurance against floods, landslides or earthquake as a standard part of building insurance coverage, some companies consider it an additional risk for which higher premium have to be paid.

With regard to household content insurance, it usually covers furniture, electronic appliances, textiles or sport equipment against fire, explosion, lightning, theft or vandalism. Again, as with building insurance, some companies also include damages from floods, landslides and earthquakes as basic coverage while some considered it under premium coverage. It is also possible to arrange for extended warranties under this insurance or, for example, expenses coverage (for damaged appliances, the insured person receives either the amount of what it would cost to repair the appliance or to buy a new one). Some insurance products also cover damages to items (food) in insured refrigerators or freezers if they are damaged as a consequence of power failure.

Insurance companies in Slovakia do not advertise the excess in property and household content insurance on their webpages with their products, however, some insurance companies do try to attract clients by advertising that their products offer zero excess. Other companies offer discounts when clients choose a higher excess level. For example, one company proposes to save up to tens of euros on household insurance products if consumers choose the highest deductible rate of 150 EUR<sup>735</sup>, while another company offers a 5-16% discount to consumers choosing a household insurance product with the highest deductible<sup>736</sup>.

No information was provided regarding the length of the insurance contracts, however, based on the information shared during stakeholder interviews, property insurance contracts are signed for a longer period of time (i.e. more than a year). The terms and conditions of the Insurance Package I state that unless otherwise agreed in the insurance contract the contract is signed for an indefinite period, however an annual, semi-annual or quarterly insurance period can also be agreed<sup>737</sup>. Act No. 8/2008 Coll.<sup>738</sup> does not limit or specify the length of a household insurance contract.

### *Overview of the national market*

As mentioned in the Analysis of the Slovak financial sector for 2015<sup>739</sup>, together with motor insurance, property insurance is one of the most widespread types of insurance, partly because property (building) insurance is a contract requirement for mortgages. There is no distinction in the data collected between property and household content insurance.

The number of property insurance contracts has for the past five years been steadily increasing, as can be seen in the table below, however, the data does not indicate whether it pertains to contracts held or sold within that year.

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<sup>735</sup> The timeframe for this saving is not specified in the article.

<sup>736</sup> Doric, A., 2014, Ako ušetriť na poistení nehnuteľnosti, Poistovne.sk. Available at: <http://www.poistovne.sk/29426-sk/ako-usetrit-na-poistení-nehnutelnosti.php>

<sup>737</sup> Allianz - Slovenská poisťovňa, 2014, VŠEOBECNÉ POISTNÉ PODMIENKY PRE POISTENIE MAJETKU A ZODPOVEDNOSTI ZA ŠKODU FYZICKÝCH OSÔB - MŮJ DOMOV. Available at: [https://www.allianzsp.sk/tmp/image\\_cache/link/0000443873/VPP-Moj-domov-15-04-2014.pdf](https://www.allianzsp.sk/tmp/image_cache/link/0000443873/VPP-Moj-domov-15-04-2014.pdf) [Last Accessed 14/12/2016]

<sup>738</sup> Act No. 8/2008 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z0082008.PDF](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z0082008.PDF)

<sup>739</sup> Národná banka Slovenska, 2016, Analýza slovenského finančného sektora za rok 2015. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalzaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalzaSFS2015.pdf)

Table 166 : Number of property insurance contracts in Slovakia

	2011	2012	2013	2014	2015
Number of property insurance contracts	2,307,046	2,366,911	2,416,919	2,560,120	2,679,258

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

About 7 to 8% of property insurance is concluded by foreign insurance companies with a branch in Slovakia providing services through freedom of establishment (FOE)<sup>740</sup>.

Density in property insurance has been steady between 2011 and 2014 at 43 EUR per person with a slight decrease in 2012 when it was 42 EUR/person, however, in 2013 it recovered to its former amount of 43 EUR/person.

Table 167 : Property insurance density in Slovakia

	2011	2012	2013	2014
Property insurance density (EUR)	43	42	43	43

Source: Insurance Europe, 2016, European insurance industry database.

Between 2011 and 2014, property insurance penetration was 0.3%.

Table 168 : Property insurance penetration in Slovakia

	2011	2012	2013	2014
Property insurance penetration	0.3%	0.3%	0.3%	0.3%

Source: Insurance Europe, 2016, European insurance industry database.

### Overview of premiums

According to data from Insurance Europe, gross written premiums in the property sector in Slovakia have been more or less the same between 2011 and 2014. Overall, GWP has increased by 3 million EUR between 2011 and 2014.

Table 169 : Property gross written premiums (GWP) in Slovakia

	2011	2012	2013	2014
Property GWP (million EUR)	232	229	231	235

Source: Insurance Europe, 2016, European insurance industry database.

For the past five years, technical premiums (see definition in section 7.1.1) for the property insurance have been fluctuating depending on the development of the insurance and financial market as seen in the table below.

<sup>740</sup> Národná banka Slovenska, 2016, Analýza slovenského finančného sektora za rok 2015. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalzaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalzaSFS2015.pdf)

Table 170 : Technical premiums in property insurance in Slovakia

	2011	2012	2013	2014	2015
Technical premiums in property insurance (million EUR)	232	229	231	235	234

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

Insurance companies have steadily increased their earned premiums in household insurance in the past five years as presented in the table below.

Table 171 : Earned premiums in property insurance in Slovakia

	2011	2012	2013	2014	2015
Earned premiums in property insurance (million EUR)	226	231	231	230	235

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

#### Overview of data on claims

Regarding data on claims, there were two sources providing figures for property claims paid (Insurance Europe and NBS). The NBS also collects data on the number of property claims paid.

Table 172 shows that the number of claims paid has, in the past five years, been decreasing with the exception of 2013.

Table 172 : Number of property claims in Slovakia

	2011	2012	2013	2014	2015
Number of property claims	66,460	62,781	63,898	60,800	58,612

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

According to Insurance Europe, the amount of property claims paid has declined by 35 million EUR between 2011 and 2014.

Table 173 : Property claims paid in Slovakia (Insurance Europe)

	2011	2012	2013	2014
Property claims paid (million EUR)	107	83	67	72

Source: Insurance Europe, 2015, Statistics No. 50 European Insurance in Figures 2015.

According to NBS data, the amount of claims paid has been increasing in the last two years. There is a discrepancy between the two sources for the amount of claims paid in 2012. The claims ratio for property insurance has overall improved between 2011 and 2015, reaching 31.91% in 2015.

Table 174 : Property claims paid and claims ratio in Slovakia (NBS)

	2011	2012	2013	2014	2015
Property claims paid (million EUR)	107	76	67	72	75
Claims ratio <sup>1</sup> (%)	47.35	32.9	29.0	31.3	31.91

Note: 1. Based on calculation of property claims paid divided by property earned premiums (NBS figures)

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

According to annual reports from NBS, in 2014 the combined ratio in property insurance has slightly decreased to 62.1%, the only positive contribution to it was the decrease in costs of claims, but in 2015 combined ratio for property insurance increased to 69.6% because the costs of claims have been increasing.

Table 175 : Combined ratio in property insurance in Slovakia

	2014	2015
Combined ratio in property insurance	62.1%	69.6%

Source: Národná banka Slovenska (2015). Správa o stave a vývoji finančného trhu za rok 2014. and Národná banka Slovenska (2016). Správa o stave a vývoji finančného trhu za rok 2015.

### 7.1.3. Motor insurance

#### *Overview of the selected products*

Motor insurance in Slovakia is divided into compulsory third party liability and voluntary motor collision insurance.

#### Third party liability (M3PL)

M3PL is compulsory by Act No. 180/2013 on party liability insurance for damages caused by motor vehicles and amendments of certain laws, more specifically paragraph 7<sup>741</sup>.

Third party liability insurance (Povinné zmluvné poistenie - PZP) covers damages that the driver caused to a third person while operating a motor vehicle. Each holder, owner or lessee of a motor vehicle registered in Slovakia is obliged to have a M3PL insurance. Violation of this obligation is sanctioned by the relevant District Office.

The insurance company will pay the injured person on behalf of the insured person for damages and proven claims for compensation for:

- Damage to health and the cost in case of death;
- Harm caused by damage, destruction, theft or loss of things;
- Reasonably incurred costs of legal representation in cases of insurance claims;
- loss of profits.

The insurer does not pay damages in cases of liability:

- Suffered by the driver of a motor vehicle that caused the damages;

<sup>741</sup> Act No. 180/2013 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z3812001.pdf](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z3812001.pdf)

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- For which the insured is responsible if the injured is his/her spouse or persons with whom the insured lived at the time of the harmful event;
- Incurred by the holder, owner or operator of a motor vehicle, by which the damages were caused;
- Involving the vehicle combination of vehicles consisting of a motor vehicle and trailer, except if the damage was caused by the operation of another vehicle in the case of a motor vehicle providing assistance by towing on a rope or a towing bar, if it is not part of conducting a business;
- On a motor vehicle that caused the damages, as well as the things transported by this vehicle, except for damages to things that the transported persons, other than the persons mentioned above, had on them or with them when the accident occurred;
- If the insured person paid or agreed to pay beyond the agreement or beyond the court decision on damages or a court decision approving an agreement of the involved parties, if the insurer was not one of those parties;
- **Incurred by handling the vehicle's cargo when the vehicle is stationary;**
- Incurred by payment of the costs of medical care, sickness, accident benefits, pension benefits, retirement security benefits and retirement pension savings provided in cases of bodily injury or death caused by a motor vehicle:
  - If the person responsible for the damage was not found;
  - Or if the damage occurred to the driver of the vehicle that caused the damage;
- Incurred by competitors or participating competitors in motor races and competitions or in the preparatory drives or damages to motor vehicles used by the competitors, with the exception of damage caused by the operation of such vehicles in situations where the driver is obliged to observe the rules of the road;
- Incurred by transportation of the vehicle in a terrorist act or war event, if the operation is directly linked to the act or event;
- Caused by work-related motor vehicle as a working machine with the exception of damage caused by driving the vehicle;
- Where the damage is not causally related to insurance claims.

The insurer has to cover compensation claims of injured parties in accidents caused by the insured person in the areas:

- Damage to health and the cost in case of death (limit of 5,000,000 EUR) whatever the number of injured or killed;
- Property damage (limit of 1,000,000 EUR) whatever the number of victims.

In addition to these minimum limits all insurance companies offer additional insurance for amounts up to 10 million EUR. If the sum of claims of several victims exceeds the claim limits defined in Act 180/2013 Coll. § 2 point a) or b) or in the insurance policy, the payout to each of the victims is reduced in proportion of the claim limit to the sum of all the claims made by the victims<sup>742</sup>.

In determining the amount of premium for M3PL insurance in the insurance contract the insurer tends to take into account the record of previous claims of the policyholder, usually in the form of premium discounts in the case of no history of incidents (as a bonus) or in negotiating insurance (a deposit bonus) or surcharge to the premium for failure to meet the conditions of contract. Most frequently it is a surcharge for unfavourable claims record in the previous insurance period (malus).<sup>743</sup>

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<sup>742</sup> Act No. 180/2013 Coll. Available at:

[https://www.nbs.sk/\\_img/Documents/\\_Legislativa/\\_UplneZneniaZakonov/Z3812001.pdf](https://www.nbs.sk/_img/Documents/_Legislativa/_UplneZneniaZakonov/Z3812001.pdf)

<sup>743</sup> FINinfo MF SR, 2013, Poistenie motorových vozidiel. Available at: <http://www.fininfo.sk/sk/financne-produkty/poistovnictvo/poistenie-motorovych-vozidiel> [Last updated: 6.9.2013]

## Motor collision insurance

Motor collision insurance (Havarijné poistenie or Kasko) is a voluntary insurance that is complementary to M3PL. Unlike M3PL insurance, it protects **the insured person's vehicle** and its components. It provides insurance protection to the vehicle owner in the event of a claim. The amount of coverage depends on the brand and type of the vehicle, the price of the vehicle, the scope of the selected insurance product and the excess. Thus, there is no comprehensive cover that would combine both M3PL and collision coverage in Slovakia. It is possible to hold a policy for each of these two products with a different insurance provider.

This insurance covers the motor vehicle and its trailer, parts, accessories making up the standard and mandatory equipment of the vehicle with a valid certificate (certificate of roadworthiness) issued in Slovakia on the territory defined in the insurance contract. The insurance contract can also provide insurance for above-standard equipment of the vehicle, luggage or personal belongings, persons transported by the insured motor vehicle, the cost of a replacement vehicle, assistance services or legal assistance.

The insurance covers damages or destruction of the vehicle as a consequence of any accidental event which is not excluded in the contract or standard policy terms and conditions.

The insured value of the vehicle can be either:

- The value of a new unused vehicle (the sum assured) - which is the amount needed for the recovery of a new vehicle during the duration of the contract, if it was not otherwise agreed;
- Acquisition value (the sum of additional insurance) - amount/general price agreed in the contract.

If not agreed otherwise, the collision insurance includes excess defined in the contract. Excess is agreed separately for basic insurance coverage and for individual supplementary insurance (for example, windscreen insurance, accident insurance, baggage insurance). The negotiated amount of excess is always deducted from the claims reimbursement. If one claim is reported but the nature of the damage to the vehicle shows that there is a number of separate claims, the insurer deducts the excess for each of the claims. If the amount of damage in one claim is less than the agreed excess claims reimbursement is paid.<sup>744</sup>

Most of the insurance companies offering motor insurance have various tiers of M3PL and collision insurance depending on the additional insurance and the level of excess the consumer chooses.

For example, one of the insurance companies on the Slovak market offers three tiers in M3PL insurance – Basic, Standard and Optimal. The Basic module is for Sunday drivers that tend to drive less. It offers basic limit of insurance with sums insured for personal injuries and fatalities (max. 5 million EUR) and damage to property and foregone income (max. 1 million EUR) per accident. It has a compulsory excess (amount to be agreed upon) and for a one-off fee (3.29 EUR) it also provides assistance services. The Standard module is for ordinary drivers and contains basic limit of insurance claims for personal injuries and fatalities (max. 5 million EUR) and damage to property and foregone income (max. 1 million EUR) per accident. This module also offers assistance services for a one-off fee (3.29 EUR). The Optimal module is for everyday drivers and offers a higher limit of insurance claims for personal injuries and fatalities (max.10 million EUR) and damage to

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<sup>744</sup> FINinfo MF SR, 2013, Poistenie motorových vozidiel. Available at: <http://www.fininfo.sk/sk/financne-produkty/poistovnictvo/poistenie-motorovych-vozidiel> [Last updated: 6.9.2013]



property and foregone income (max. 5 million EUR) per accident. Assistance services are provided free of charge and there is a possibility of excess.<sup>745</sup>

When trying to calculate a possible M3PL premium, one of the Slovak insurance companies providing M3PL insurance offers a discount of 11.54 EUR on a premium of 164.92 EUR if the consumer agrees to a 100 EUR excess<sup>746</sup>.

There is a parafiscal tax (also called fire brigade levy) of 8% on M3PL insurance. It is defined as levy but has a character of a tax. Premium income for the previous year from M3PL provided in Slovakia serves as a base for calculations. The amount of the parafiscal tax collected goes towards the expenses of fire brigades. The levy is payable yearly. There are no specific provisions informing policyholders with regard to this levy. Insurance companies, branches of insurance companies under freedom of establishment and companies providing M3PL insurance on the basis of FPS have an obligation to inform in writing the National Bank of Slovakia and the Ministry of Finance of the Slovak Republic up to 3 days at the latest after the payment of the levy. If the insurer does not declare and pay the levy, the relevant authority may impose a fine.<sup>747</sup>

#### *Overview of the national market*

Third party liability insurance (M3PL) is compulsory by law<sup>748</sup>, therefore, anyone who owns a car and wishes to use it on public roads has to own this insurance product. The market share of motor insurance sold by foreign insurance companies with branches in Slovakia through FOE is about 5% in M3PL and 2 to 3% in collision insurance.<sup>749</sup>

According to NBS's report<sup>750</sup>, the number of motor insurance contracts has increased due to the number of new contracts, especially in collision insurance where it is said to have increased by 17% in the first half of 2015. This increase can be seen in the table below.

Table 176 : Number of motor insurance contracts in Slovakia

	2011	2012	2013	2014	2015
M3PL contracts	2,105,175	2,145,220	2,216,523	2,367,323	2,673,991
Collision insurance contracts	581,138	594,418	619,225	667,787	757,824

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

According to Insurance Europe, motor insurance density has been slowly decreasing from 102 EUR per person in 2011 to 95 EUR/person in 2014.

<sup>745</sup> Allianz - Slovenská poisťovňa, 2016, Povinné zmluvné poistenie. Available at: <https://www.allianzsp.sk/pzp>

<sup>746</sup> The calculation was based on age (25-29 years), engine volume (1201-1500), engine horsepower (66-85 kW), year of manufacture (2010-2016), location (Bratislava), claim in the last 24 months (no). Allianz - Slovenská poisťovňa, 2016, Výpočet poistenia vozidla. Available at: <https://online.allianzsp.sk/pzp-povinne-zmluvne-poistenie/>

<sup>747</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.insuranceeurope.eu/indirect-taxation-insurance-contracts-europe-2016>

<sup>748</sup> EU Motor Insurance Directive 2009/103/EC is implemented in Slovak law through the Act No. 180/2013 Coll. on party liability insurance for damages caused by motor vehicles and amendments of certain laws, as previously amended.

<sup>749</sup> Národná banka Slovenska, 2016, Analýza slovenského finančného sektora za rok 2015. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalzyaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalzyaSFS2015.pdf)

<sup>750</sup> Národná banka Slovenska, 2015, Správa o stave a vývoji finančného trhu za prvý polrok 2015. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_financneho\\_trhu\\_z\\_a\\_prvy\\_polrok\\_2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_financneho_trhu_z_a_prvy_polrok_2015.pdf)

Table 177 : Motor insurance density in Slovakia

	2011	2012	2013	2014
Motor insurance density (EUR)	102	100	96	95

Source: Insurance Europe, 2016, European insurance industry database.

Similarly to motor density, motor insurance penetration has declined as well between 2012 and 2013 from 0.8% to 0.7%.

Table 178 : Motor insurance penetration in Slovakia

	2011	2012	2013	2014
Motor insurance penetration	0.8%	0.8%	0.7%	0.7%

Source: Insurance Europe, 2016, European insurance industry database.

### Overview of premiums

According to Insurance Europe the motor gross written premiums in Slovakia have been decreasing between 2011 to 2014 **but according to EIOPA's Fourth Consumer Trends Report in 2014** the year-to-year premium growth rates in motor insurance in Slovakia increased significantly, mainly due to external factors such as increases in car sales<sup>751</sup>.

Table 179 : Motor gross written premiums in Slovakia

	2011	2012	2013	2014
Motor gross written premiums (million EUR)	552	542	521	512

Source: Insurance Europe, 2016, European insurance industry database.

**According to the NBS's Report on Status and Development of the Financial Market 2014** overall premiums in motor insurance have slightly increased, especially due to the 2.2% increase in collision covers. However, the average premium paid has decreased compared to 2013<sup>752</sup>.

Table 180 : Average motor premium paid in Slovakia in EUR

	2013	2014	2015
M3PL	120	111	104
Collision insurance	393	372	354

<sup>751</sup> EIOPA, 2015, EIOPA Fourth Consumer Trends Report. Available at: [https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-233%20-%20EIOPA\\_Fourth\\_Consumer\\_Trends\\_Report.pdf](https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-233%20-%20EIOPA_Fourth_Consumer_Trends_Report.pdf)

<sup>752</sup> Národná banka Slovenska, 2015, Správa o stave a vývoji finančného trhu za rok 2014. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_financneho\\_trhu\\_za\\_rok\\_2014.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_financneho_trhu_za_rok_2014.pdf)

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Source: Národná banka Slovenska (2015). *Správa o stave a vývoji finančného trhu za rok 2014*. and Národná banka Slovenska (2016). *Správa o stave a vývoji finančného trhu za rok 2015*.

The report also mentions that in 2014 the trend of balancing the average policy holder to new and prolonged contracts has not been confirmed. For M3PL insurance new contracts have been cheaper by nearly 10% and for collision insurance by 15%.<sup>753</sup> In the first half of 2015 the average premium on new M3PL contracts was 112 EUR and for collision insurance it has decreased to 298 EUR<sup>754</sup>. The end of the year report states that the difference between new and prolonged contracts in M3PL was minimal but the difference in collision insurance reached 28%, the average premium on new contracts was 301 EUR and 385 EUR on renewed contracts<sup>755</sup>.

Technical premiums have, in both M3PL and collision insurance, been decreasing in the last five years before recovering again in 2015.

Table 181 : Technical premiums in motor insurance in Slovakia (million EUR)

	2011	2012	2013	2014	2015
M3PL	286.1	275.7	265.6	263.5	270.6
Collision insurance	265.6	250.9	243.1	248.6	256.7

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

Earned premiums in motor insurance have, similarly to technical premiums, been decreasing with M3PL and recovering in 2015, while earned premiums for collision insurance have recovered in 2014.

Table 182 : Earned premiums in motor insurance in Slovakia (million EUR)

	2011	2012	2013	2014	2015
M3PL	280.4	277.0	267.2	261.8	266.7
Collision insurance	264.1	252.9	244.9	247.2	253.9

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

### *Overview of data on claims*

The number of insurance claims fluctuated between 2011 and 2015. Between 2011 and 2014, the number of claims in M3PL insurance decreased year-on-year, before increasing in 2015 to a level above that of 2012, as demonstrated in the table below.

<sup>753</sup> Národná banka Slovenska, 2015, *Správa o stave a vývoji finančného trhu za rok 2014*. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_financneho\\_trhu\\_za\\_rok\\_2014.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_financneho_trhu_za_rok_2014.pdf)

<sup>754</sup> Národná banka Slovenska, 2015, *Správa o stave a vývoji finančného trhu za prvý polrok 2015*. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_financneho\\_trhu\\_za\\_prvy\\_polrok\\_2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_financneho_trhu_za_prvy_polrok_2015.pdf)

<sup>755</sup> Národná banka Slovenska, 2016, *Správa o stave a vývoji finančného trhu za rok 2015*. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_financneho\\_trhu\\_za\\_rok\\_2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_financneho_trhu_za_rok_2015.pdf)

Table 183 : Number of motor claims in Slovakia

	2011	2012	2013	2014	2015
M3PL claims	129,698	105,306	103,945	101,593	112,424
Collision insurance claims	139,285	142,478	151,785	139,770	157,209
Total claims	268,983	247,784	255,730	241,363	269,633

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

According to Insurance Europe, the amount of motor claims paid increased between 2011 and 2013, before decreasing down to 327 million EUR in 2014.

Table 184 : Motor claims paid in Slovakia

	2011	2012	2013	2014
Motor claims paid (million EUR)	336	341	346	327

Source: Insurance Europe, 2016, European insurance industry database.

According to NBS's data, motor insurance claims paid have been fluctuating in both M3PL insurance and in collision insurance.

Table 185 : Motor claims paid in Slovakia (million EUR)

	2011	2012	2013	2014	2015
M3PL claims paid	162.2	146.8	154.1	152.6	161.9
Collision insurance claims paid	183.7	179.3	192.6	174.4	193.1
Total claims paid	345.9	326.1	346.7	327.0	355.0

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

The table below presents the evolution of claims ratios for motor insurance products. Claims ratios of M3PL and collision insurance fluctuated between 2011 and 2015, but overall deteriorated slightly, reaching 60.7% for M3PL and 76.05% for collision insurance.

Table 186 : Motor claims ratios in Slovakia (in %)

	2011	2012	2013	2014	2015
M3PL	57.85	52.1	57.67	58.29	60.7
Collision insurance	69.56	70.9	78.64	70.55	76.05

Source: Based on calculation of motor claims paid divided by earned premiums (NBS figures)

According to the annual reports published by the NBS, in 2014 the combined ratio for M3PL insurance has increased while combined ratio for collision insurance has decreased and the total combined ratio for motor insurance has, like M3PL combined ratio, increased.<sup>756</sup> The combined ratios for M3PL and collision insurances held by insurance companies operating on Slovak market through their branches under FOE was 85.8% for the former and 102.7% for the latter. In 2015, the M3PL combined ratio has decreased substantially by about 10%. This has an influence on the collision insurance combined ratio which has increased by also 10% in 2015. The overall combined ratio for motor insurance has, however, decreased by 0.6%.<sup>757</sup>

Table 187 : Combined ratio in motor insurance in Slovakia

	2014	2015
M3PL combined ratio	95.5%	85%
Collision insurance combined ratio	102%	112%
Total motor combined ratio	98.6%	98%

Source: Národná banka Slovenska (2015). *Správa o stave a vývoji finančného trhu za rok 2014*. and Národná banka Slovenska (2016). *Správa o stave a vývoji finančného trhu za rok 2015*.

#### 7.1.4. Car rental insurance

##### *Overview of the selected products*

According to a Slovak website run by volunteers providing information to tourists on Slovakia, there is a considerably large number of car rental companies operating in Slovakia. No specific number is given, however, the site lists at least 12 companies that offer their car rental services in Slovakia.<sup>758</sup> In addition, all the major international car rental companies (such as Sixt, Europcar, Hertz etc.) provide their services in Slovakia.

<sup>756</sup> Národná banka Slovenska, 2015, *Správa o stave a vývoji finančného trhu za rok 2014*. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_finan\\_cneho\\_trhu\\_za\\_rok\\_2014.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_finan_cneho_trhu_za_rok_2014.pdf)

<sup>757</sup> Národná banka Slovenska, 2016, *Správa o stave a vývoji finančného trhu za rok 2015*. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_finan\\_cneho\\_trhu\\_za\\_rok\\_2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_finan_cneho_trhu_za_rok_2015.pdf)

<sup>758</sup> Slovak Republic.org, 2016, Car Rental at: <http://www.slovak-republic.org/car/rental/> [Last Accessed 16/12/2016]

An international car rental company that mediates car rental in Slovakia offers three different insurance packages – Basic Rates, Inclusive Rates and No Excess Rate.<sup>759</sup>

The basic rate package includes third party liability insurance and fire insurance. Inclusive rate packages include third party liability insurance, fire insurance, collision damage waiver (CDW) with an excess and theft protection with an excess. The excess is calculated onsite when a customer is picking up his/her rental car. The No Excess Rate package includes third party liability insurance, fire insurance, collision damage waiver with no excess, theft protection with no excess and roadside assistance.

CDW and theft protection releases the person who hired the car from full financial responsibility for the vehicle in case of an accident or theft, however, the person will still be responsible for an excess unless the No Excess rate package is purchased. Inclusive Rate package is optional and may be refused (with the exception of when picking up a car in Italy where it is compulsory) if the person hiring the vehicle chooses to use the coverage of his/her credit card or other personal policy offers.

With another car rental company offering car rentals in Slovakia the person hiring a car may purchase insurance for Third Party Insurance, Loss Damage Waiver (LDW), Top Cover LDW, Super Top Cover LDW, Personal Accident Protection and Tire and Glass Coverage<sup>760</sup>.

Third Party Insurance provides protection coverage for the rented vehicle and includes Third Party Liability with unlimited cover for personal injuries and material damage. It does not cover the transportation of dangerous goods. The protection will become void if an unauthorised driver is driving the vehicle at the time of the accident. Loss Damage Waiver **removes the driver's** responsibility to a part of the vehicle in case of damage or theft. If LDW is not accepted, the client will be held liable for the full value of the car. If LDW is accepted, the client is only responsible for an excess ranging between 450 EUR and 5,000 EUR depending on the type of car. If LDW is already included in the rates, the renter can choose Top Cover LDW to eliminate the Non-Waivable Responsibility. If Top Cover LDW is accepted, the customer is only responsible for excess ranging between 225 EUR and 2,500 EUR depending on the type of car. The customer can also choose the Super Top Cover LDW where in case of an accident he/she does not have to pay any excess.

By taking out personal accident protection (PAP) the insurance coverage can also be extended to cover the consequences of an accident. By taking out PAP the limit of liability is 3,980 EUR for invalidity, 7,970 EUR for death, and 830 EUR for medical costs. Tire and Glass Coverage (GT) provides cover against the consequences of damages on tires and windscreen. The cost of GT is 3.60 EUR/day for all car groups (max. 72 EUR per rental). If GT claim is not accepted, the customer will be held liable for the full value of damage on tires and windscreen.

### *Overview of the national market*

There is no specific data regarding car rental insurance. The FSUG expert consulted estimated the total market share of car rental insurance at 1%. The lack of this data has been attributed by interviewees (FSUG expert, NBS, SOS Poprad consumer association, ECC SK) to the fact that the car rental market is not very popular with people residing in Slovakia.

The four biggest insurance companies in the Slovak non-life insurance market mentioned in section 7.1.1 do not offer car rental insurance. This type of insurance is included in car

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<sup>759</sup> Auto Europe, 2016, Car Rental Coverage & Waivers in Europe. Available at: <http://www.autoeurope.com/insurancedetail.cfm>

<sup>760</sup> Sixt, 2016, Slovakia – PKW. Available at: <https://www.sixt.com/rental-services/rental-information/>

rental agreements. However, as the interviewees from the national supervisory authority (NBS) and the consumer association (SOS Poprad) pointed out a car rental agreement/contract cannot be considered equal to an insurance contract as the client (consumer) is not the payer of the premiums but is the insured party, therefore, the service intermediary does not have to provide information on the insurance rendered.

#### *Overview of premiums*

No data on premiums specific to car rental insurance in Slovakia were available.

#### *Overview of data on claims*

No data on claims specific to car rental insurance in Slovakia were available.

### 7.1.5. Insurance products sold as an add-on to other primary products

#### *Overview of the selected products*

##### Extended warranties for furniture

Some insurance companies offer extended warranties on household appliances as a bonus feature (extra premium) of their household content insurance. It is also possible to purchase extended warranties when buying a certain product in shops (such as electronics), however, with these purchases the same applies as with car rental insurance. The consumer is the insured party, however, not the payer of the policy and, therefore, does not have to be advised on the details of the insurance policy.

None of the stakeholders interviewed were able to provide any further details with regard to this particular insurance. Regarding companies selling furniture in Slovakia, some companies do offer an extension of the required 2-year warranty by one year when the furniture is assembled by the company in the house of the person who purchased it<sup>761</sup>.

##### Home assistance insurance

Insurance companies offer assistance services as a free bonus to their insurance packages for property insurance or as an additional/bonus premium to their basic insurance. Assistance services may be provided with property insurance and can include assistance in unforeseen situations, e.g. when the insured party is locked out of their property or when the property is uninhabitable due to pest infestation. Some insurance companies also provide assistance insurance with their motor insurance.

In the event of a claim, the home assistance includes, for example:

- Alternative accommodation in 48 hours;
- Transportation of household equipment and its storage;
- Removal of the consequences of a breakdown or accident;
- Unlocking of doors when the insured is locked out of the property, or loss of keys;
- Medical assistance in the event of hospitalisation of the member of the household;
- Advice on legal and administrative issues.<sup>762</sup>

One of the insurance companies offering home assistance insurance in Slovakia includes it as a free service to their clients who have property insurance 24 hours a day 7 days a week. The package includes technical assistance (for example when the property is flooded

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<sup>761</sup> Decodom, 2016, **Časté Otázky- Spoločnosť a sortiment**. Available at: <https://www.decodom.sk/clanky/caste-otazky-2/caste-otazky-spolocnost-a-sortiment>

<sup>762</sup> FINinfo MF SR, 2013, **Neživotné poistenie**. Available at: <http://www.fininfo.sk/sk/financne-produkty/poistovnictvo/nezivotne-poistenie> [Last updated: 6.9.2013]

the company provides a plumber or provides alternative accommodation and ensures that the property is secured), health assistance (free transportation of a family member home from the hospital if hospitalisation is longer than 48 hours, provide transportation to those providing care for children or elderly), and legal assistance and consulting (help with filling in permission forms of different authorities, consult with an architect when making changes to the property). This insurance can also be upgraded to include consults with general practitioners and consults about pharmaceuticals, their use and effects.<sup>763</sup>

### Travel insurance

Travel insurance - medical expenses is intended to provide insurance to the insured parties on their travels and stays abroad. An insurance claim is understood as a sudden acute illness or injury of the insured, which occurred abroad during the insurance period, and that complies with other requirements under the contract and policy conditions.

Travel insurance of medical expenses usually includes:

- Outpatient treatment (including dental surgery, in case of a medical emergency, but not because of previous state of neglect or incomplete treatment);
- Hospitalisation and medical care during hospitalisation;
- Medication prescribed by a doctor in connection with the claim;
- Transport to the nearest medical facility in a manner to be determined by the treating doctor;
- Repatriation of the insured person (including cases when, because of the accident the person cannot return to Slovakia by originally planned means of transport);
- Repatriation of the deceased and luggage to the place of permanent residence in case of death of the insured;
- Assistance services.

Additional insurance can also be arranged and can cover risks such as:

- Baggage insurance and loss of documents;
- Accident insurance;
- Insurance cancellation fee;
- Insurance of legal expenses abroad;
- Liability insurance when traveling abroad;
- Insurance of travel costs of close person/relative to the insured person, of a guardian, or visiting relative;
- Insurance costs in case of illness of a child;
- Coverage of travel costs in case of a broken-down vehicle;
- Insurance of an unsuccessful holiday.<sup>764</sup>

The four biggest insurance companies mentioned in section 7.1.1 all offer travel insurance. This kind of insurance mainly covers medical costs and repatriation, lost/stolen baggage including personal belongings or cancellation fees. There are also specialised packages covering certain sports, for example, one insurance company has a year-long travel insurance product for golf players that includes not only travel insurance but also insures the golfing equipment<sup>765</sup>. Other insurance companies offer additional insurance that the consumer can purchase on top of the basic travel insurance, for example, one additional insurance includes manual labour insurance for those who intend to work while travelling (covers medical expenses incurred as a consequence of a labour accident or occupational

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<sup>763</sup> **Poisťovňa Generali, 2016, DOMino Asistenčné služby.** Available at: <http://www.generali.sk/sk/pre-obcanov/poistenie-majetku/domino/>

<sup>764</sup> **FINinfo MF SR, 2013, Neživotné poistenie.** Available at: <http://www.fininfo.sk/sk/financne-produkty/poistovnictvo/nezivotne-poistenie> [Last updated: 6.9.2013]

<sup>765</sup> **Allianz - Slovenská poisťovňa, 2016, Cestovné poistenie pre hráčov golfu.** Available at: <https://www.allianzsp.sk/cestovne-poistenie-pre-hracov-golfu>



disease) or insurance on high-risk sports and sporting competitions<sup>766</sup>. Consumers may also acquire travel insurance through their health insurance companies.

#### *Overview of the national market*

No data has been encountered for extended warranty and travel insurance. The interviewed stakeholders (NBS, FSUG expert, SOS Poprad) were not able to provide any data either as this data is not systematically collected, however, they indicated that insurance companies may collect this data for their internal purposes.

NBS does collect quarterly statistics on general assistance services, however it is not specifically indicated whether it includes only home or other assistance insurance as well.

The table below indicates the development of the number of contracts regarding assistance services for the past five years. The number of assistance contracts has increased dramatically between 2011 and 2012, by 76,256 contracts<sup>767</sup>.

Table 188 : Number of assistance services contracts in Slovakia

	2011	2012	2013	2014	2015
Number of assistance services contracts	408,854	485,110	478,456	439,705	424,343

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

The share of the assistance insurance market held by foreign insurance companies with a branch in Slovakia under freedom of establishment was between 15 and 20% in 2014<sup>768</sup>.

#### *Overview of premiums*

The NBS's quarterly statistics include figures for technical premiums in assistance insurance as shown in the table below. In the past five years, technical insurance in assistance services has been increasing with the rise of 4.8 million EUR between the years of 2014 and 2015 being the double of the increase of 2.4 million EUR between the years 2011 and 2014.

Table 189 : Technical premiums in assistance insurance in Slovakia

	2011	2012	2013	2014	2015
Technical premiums in assistance services (million EUR)	24.0	24.4	25.6	26.4	31.2

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

Data on earned premiums in assistance services is also available in the quarterly statistics of NBS as shown in table below. Similarly to technical premiums, earned premiums have also been increasing between 2011 and 2015. The increase between the years 2014 and 2015 was 4.9 million EUR which was slightly less than double of the increase between the

<sup>766</sup> Kooperativa – Vienna Insurance Group, 2016, Cestovné poistenie Eurotravel. Available at: <http://www.koop.sk/cestovanie/cestovne-poistenie-eurotravel>

<sup>767</sup> No interpretation of this incline has been encountered.

<sup>768</sup> Národná banka Slovenska, 2016, **Analýza slovenského finančného sektora za rok 2015**. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analzy/protected/AnalzyaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analzy/protected/AnalzyaSFS2015.pdf)

years 2011 and 2014, between which earned premium in assistance services increased by 2.7 million EUR.

Table 190 : Earned premiums in assistance services in Slovakia

	2011	2012	2013	2014	2015
Earned premiums in assistance services (million EUR)	23.6	24.2	25.3	26.3	31.2

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

Neither the NBS nor the Insurance Europe sources provide data for premiums for extended warranties nor travel insurance in Slovakia. The stakeholders interviewed (NBS, FSUG expert, SOS Poprad, ECC SK) were not able to provide these data either. No other sources containing these data were encountered.

#### *Overview of data on claims*

The number of assistance services claims fluctuated in the past five years according to the NBS statistics. The lowest number of claims was reached in 2014, however, the following year the number of claims has increased substantially, by 8,202 claims<sup>769</sup>.

Table 191 : Number of assistance insurance claims in Slovakia

	2011	2012	2013	2014	2015
Assistance insurance claims	18,614	25,780	16,367	11,843	20,045

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

The amount of claims paid in the assistance services has been slowly but steadily increasing in the past five years, as shown in the table below.

Table 192 : Assistance insurance claims paid in Slovakia

	2011	2012	2013	2014	2015
Assistance insurance claims paid (million EUR)	8.2	8.3	8.8	9.0	11.1

Source: Národná banka Slovenska, 2016, Súhrnné štatistické údaje: Agregované údaje za neživotné poistenie.

Neither the NBS nor the Insurance Europe sources provide data on claims for extended warranties nor travel insurance in Slovakia. The stakeholders interviewed (NBS, FSUG expert, SOS Poprad, ECC SK) were not able to provide these data either. No other sources containing these data were encountered.

#### 7.1.6. Sales practices and distribution channels

According to Insurance Europe, insurance premiums in Slovakia have been distributed through the following channels in 2011.

<sup>769</sup> No information has been encountered that would describe this level of increase.

Table 193 : Breakdown of non-life premiums by distribution channel in Slovakia in 2011 (in %)

	Direct writing	Agents	Brokers	Banc-assurance	Other
Distribution channels in non-life insurance	22.2%	64.3%	0.7%	0.0%	12.8%

Source: Insurance Europe, 2015, Statistics No. 50 European Insurance in Figures 2015.

Interviewed stakeholders shared their perceptions as to what is the current share of different distribution channels for non-life insurance. According to the national supervisory authority, NBS, 60 – 70 % of sales go through intermediaries; and remaining the 30-40% are sold through insurance companies.

NBS interviewees also noted that the share of online sales has increased in the last few years and will probably continue to do so in the future.

In contrast to the views of the national supervisory authority, the FSUG expert interviewed indicated that:

- about 40% of insurance contracts are sold through insurance intermediaries;
- 40% through insurance companies and banks; and
- the remaining 20% is sold through on-line sources, including insurance companies and comparison websites.

According to the FSUG expert interviewed, the role of comparison websites is ever-increasing. There are three main providers - **Finančný kompas**<sup>770</sup>, Total Money<sup>771</sup> and Super Poistenie<sup>772</sup> - covering the majority of the financial market which includes insurance. In the area of insurance, **Finančný kompas offers comparison for M3PL and travel insurance** products, Total Money for M3PL and Super Poistenie for M3PL, collision insurance and travel insurance. All interviewed stakeholders agreed that the share of the online distribution channel will continue to rise in the future.

The national supervisory authority highlighted that some insurance providers may also use “aggressive” pop-up adverts on selected, frequently visited websites, such as national search engines or news portals. This has been corroborated by an interviewee from ECC SK stating that some insurance contracts are advertised even on social media, for example Facebook.

In the past, there were some unfair practices regarding the sale of insurance products that had to be addressed by the national supervisory authority and the ministries. For example, insurance companies used to use a very small font for terms and conditions that was not readable. To this end, a regulation was passed in 2014 (Act No. 141/2014 Coll. amending the Slovak Republic Government Order No. 87/1995, implementing certain provisions of the Civil Code<sup>773</sup>) that clearly specifies the size of the font to be used in contracts. There is also a law on financial mediation that provides clear guidelines on the extent of information that needs to be provided before signing a contract. According to interviewees (NBS, FSUG expert, SOS Poprad consumer association), some contracts may include a clause that only allows for ADR and prohibits consumers to turn to courts, in these instances consumers are usually not informed/advised about this clause and its full

<sup>770</sup> Finančný kompas, 2016. Available at: <https://www.financnykompas.sk/>

<sup>771</sup> Total Money, 2016. Available at: <https://totalmoney.sk/>

<sup>772</sup> Super Poistenie, 2016. Available at: <http://www.superpoistenie.sk/>

<sup>773</sup> Act No. 141/2014 Coll. Available at: <http://www.noveaspi.sk/products/lawText/1/82148/1/2>

extent/implications. The national supervisory authority stated that inclusion of such a clause is against the law.

Another unfair practice that has been mentioned by the SOS Poprad consumer association was that some service providers use so-called pre-contract tactics where they sign a pre-contract agreement with their clients. These pre-contracts contain all the necessities of a contract, include amounts of agreed premiums for the pre-contract period and then the actual contracting period. After the pre-contract period has expired, consumers usually receive the papers for the actual contract where the amounts of premiums/excess differ from the previously agreed ones. Insurance providers tend to include a clause in the pre-contract agreement that allows them to do so without informing /agreeing with the client first. The pre-contract also contains a clause stating that the client has to accept the contract conditions and should he/she wish to terminate the pre-contract agreement there will be penalties involved. This kind of practice has been brought to the attention of national authorities as the national authority mentioned, however, no steps have yet been taken to eradicate them.

The NBS produced a pre-contract form that contains a check list for insurance providers as to what information has to be relayed to their clients before a contract can be signed. This initiative has, however in the words of the NBS, proven to be not very effective as this form is not compulsory and insurance companies may adapt it to their internal practices.

In terms of discriminatory practices related to age or sickness, for travel insurance the terms and conditions of one of the insurance companies states that a claim will not be paid out if the insured party suffers an injury that results in a death if the insured was 71 years of age and above at the time the insurance contract was signed<sup>774</sup>. As for car rental insurance, with one of the rental companies in Slovakia, drivers under 21 years of age must pay an extra fee of 12.00 EUR per day (60.00 EUR max. per rental)<sup>775</sup>. For motor insurance, terms and conditions do not mention the age of the insured party but when using an insurance calculator of one of the insurance companies<sup>776</sup>, the amount of the premium was significantly higher for young drivers than for older drivers<sup>777</sup>.

### 7.1.7. Key features of cross-border transactions

#### *Key features of cross-border transactions of non-life insurance products*

According to interviewed stakeholders (NBS, FSUG expert, SOS Poprad consumer association, ECC SK), overall, Slovak customers do not tend to buy cross-border insurance from branches/providers physically located in another country. When this does occur, usually the customers are located in border areas where access to this kind of services is more facilitated.

#### *Cross-border sales*

The FSUG expert estimated that the cross-border share of the market is less than 1%. However, according to the Analysis of the Slovak financial sector for 2015, in 2014, there were 103 entities that provided their services under the freedom to provide services without having established local branches and 24 insurance and reinsurance companies

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<sup>774</sup> Allianz, General Insurance Conditions for Travel insurance and assistance services. Available at: [https://www.allianzsp.sk/tmp/image\\_cache/link/0000460807/7080\\_VPP-CP.pdf](https://www.allianzsp.sk/tmp/image_cache/link/0000460807/7080_VPP-CP.pdf)

<sup>775</sup> Sixt, Rental information. Available at: <https://www.sixt.com/rental-services/rental-information/>

<sup>776</sup> Allianz, Motor insurance comparison tool. Available at: <https://online.allianzsp.sk/pzp-povinne-zmluvne-poistenie/>

<sup>777</sup> For instance, to get the insurance for the first time on a recent vehicle (from 2013-2016), people aged 18-24 must pay 228 EUR, people aged 25-29 must pay 146.40 EUR, people aged 30-37 must pay 103.20 EUR, people aged 38-50 must pay 93.60 EUR, people aged 51-60 must pay 87.20 EUR, and people aged 60+ must pay 80.80 EUR.

provided their services through their branches in Slovakia under the freedom of establishment<sup>778</sup>.

Companies providing their services in Slovakia under the freedom of establishment had, in 2009, a 5% share of the market. Since then the share increased to 9%. About 7 to 8% of property insurance is concluded by these companies under freedom of establishment. The market share of motor insurance sold under the freedom of establishment is about 5% in M3PL and 2 to 3% in collision insurance. The share of the assistance insurance market held by foreign insurance companies with a branch in Slovakia under freedom of establishment was between 15 and 20% in 2014.<sup>779</sup>

#### *Main factors limiting cross-border insurance purchases*

No empirical evidence was available as to what are the obstacles to purchasing cross-border insurance. The stakeholders consulted (NBS, FSUG expert, SOS Poprad consumer association, ECC SK) listed some of the possible reasons as to why Slovak consumers are not interested in these services. One factor mentioned frequently (ECC, SOS Poprad, NBS) was the language barrier. An uncertainty as to how the pay-out process would work in case of a claim was also considered a possible reason as to why Slovak consumers are not purchasing cross-border insurance by the SOS Poprad interviewee. The FSUG expert, NBS and SOS Poprad also highlighted that some Slovak consumers might not have means (including skills) to access Internet and, therefore, it would be harder for them to obtain cross-border insurance products.

#### *Interventions to increase cross-border demand*

The national supervisory authority noted that there are currently no public or private interventions to increase cross-border insurance and that no activities are planned by public authorities for the future.

## 7.2. Consumer decision-making in the non-life insurance market- evidence from Slovakia

### 7.2.1. Consumer understanding

According to information collected from the stakeholder interviews (NBS, FSUG expert, SOS Poprad consumer association, ECC SK), the main deciding factor in purchasing an insurance product is price. For consumers, the amount they will have to pay and how much they will receive from a claim is more important than the quality or coverage of the insurance product. These interviewees also noted that the language used by insurance companies tends to be technical and not easy to follow for most of the consumers.

The insurance provider signing a contract with the consumer is obliged by law<sup>780</sup> to explain the general terms and conditions of the contract to the consumer. However, some interviewed stakeholders (FSUG expert, SOS Poprad consumer association) pointed out that on many occasions the service provider only asks if the policyholder has any questions. If the policyholder cannot think of any questions straightaway, then the service provider asks for the consumer to sign a disclaimer that he/she has been informed about the terms and conditions, even if that might not be the case.

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<sup>778</sup> Národná banka Slovenska, 2016, **Analýza slovenského finančného sektora za rok 2015**. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analyzy/protected/AnalyzaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analyzy/protected/AnalyzaSFS2015.pdf)

<sup>779</sup> Národná banka Slovenska, 2016, **Analýza slovenského finančného sektora za rok 2015**. Available at: [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/ORM/Analyzy/protected/AnalyzaSFS2015.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/ORM/Analyzy/protected/AnalyzaSFS2015.pdf)

<sup>780</sup> Act No. 161/2011 Coll. Available at: [https://www.slaspo.sk/tmp/asset\\_cache/link/0000034994/Ob%E8iansky%20z%E1konn%EDk.pdf](https://www.slaspo.sk/tmp/asset_cache/link/0000034994/Ob%E8iansky%20z%E1konn%EDk.pdf)

### 7.2.2. Type of problems

As highlighted by all interviewed stakeholders, the main problems that consumers face are insufficient knowledge and understanding of the extent of coverage and the terms and conditions. The interviewed consumer association, SOS Poprad, pointed out that the majority of consumers using their services consult them only after a contract has been signed rather than searching for information before signing the contract. The national supervisory authority highlighted that the majority of the complaints they receive are tied in with the extent of coverage and its misapprehension by consumers. No data was encountered during research and no data was provided by the NBS to support this.

**The NBS's Report on Status and Development of the Financial Market 2014 has pointed out that some clients may fill in insurance claims incorrectly on purpose. Reasons for this include preservation of the same level of premium for "accident-free" drivers<sup>781</sup> or reducing the amount of excess for insurance claims due to different administrative and time-consuming constraints.<sup>782</sup>**

### 7.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

There is no specific entity designated to receive consumer complaints in the area of insurance. Consumers can complain directly to the insurance companies or approach their local consumer associations (such as SOS Poprad), the European Consumer Centre (in cross-border cases), or the Department for protection of financial consumers of the Ministry of Finance<sup>783</sup>. Consumer complaints are not in the competence of the NBS, however, as indicated by the NBS interviewees, the bank also receives some complaints. No additional details of these were provided by the interviewees.

The Department for protection of financial consumers of the Ministry of Finance of the Slovak Republic receives consumer complaints and in some cases the Ministry can compel the insurance companies to treat their consumers better and to take their complaints into account according to the NBS interviewees. No data has been encountered to support this.

The law on alternative dispute resolution (ADR), Act No. 391/2015 Coll.<sup>784</sup>, adopted on 12 November 2015 has been in force since 1 February 2016. There is only one consumer association, SOS Poprad, that has acquired the ADR accreditation for financial services which also includes insurance<sup>785</sup>. The interviewed representative of the consumer association mentioned that as of mid-May 2016, the association did not have any ADR cases pertaining to non-life insurance products or the insurance sector in general.

#### *Overview of consumer complaints for household insurance*

There is no data on consumer complaints regarding property insurance. Interviewed NBS stakeholders indicated that this is a specific area that would need closer inspection. In the **interviewees' (NBS) experience, consumers are not aware of the coverage and risks, which can lead to many unsubstantiated complaints.** The consumer association interviewed said

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<sup>781</sup> Insurance companies tend to raise premiums if a driver has been involved in an accident. Also, if a driver has not been involved in an accident for a specified amount of time he/she will receive a bonus, usually a decrease in premiums.

<sup>782</sup> Národná banka Slovenska, 2015, **Správa o stave a vývoji finančného trhu za rok 2014**. Available at : [http://www.nbs.sk/\\_img/Documents/\\_Dohlad/Makropolitika/Sprava\\_o\\_stave\\_a\\_vyvoji\\_slovenskeho\\_financneh\\_o\\_trhu\\_za\\_rok\\_2014.pdf](http://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/Sprava_o_stave_a_vyvoji_slovenskeho_financneh_o_trhu_za_rok_2014.pdf)

<sup>783</sup> <http://www.mfsr.sk/Default.aspx>

<sup>784</sup> <http://www.noveaspi.sk/products/lawText/1/85270/1/2>

<sup>785</sup> Information provided during the interview with ECC SK and then confirmed by SOS Poprad consumer association and NBS interviews.

that they do receive complaints from consumers on property insurance but no data is collected.

According to the European Commission 2016 Consumer Market Scoreboard<sup>786</sup> and as illustrated in Table 10 of Annex I, 4.2% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 5 on a 0-10 range. 63.6% of the respondents having experienced at least one problem complained, including 38% to their retailer/provider and 3.9% to third-party complaint bodies. Thus, the share of Slovak consumers having experienced problems and their level of detriment are below the EU 28 average. The share of Slovak respondents who complained after experiencing a problem is also below the EU 28 average, with one third less complaints to retailers/producers, and two thirds less complaints to third-party complaint bodies compared to the EU 28 average.

#### *Overview of consumer complaints for motor insurance*

There are no statistics or data about consumer complaints with regard to motor insurance. Stakeholders interviewed (FSUG expert and SOS Poprad consumer association) highlighted that a few years ago, there were many consumer complaints regarding the non-inclusion of windscreen insurance in the basic package of M3PL insurance. Because of these complaints, the Ministry of Finance ordered insurance companies to address these complaints and include this type of insurance in their products. No data to confirm this has been encountered.

According to the European Commission 2016 Consumer Market Scoreboard<sup>787</sup> and as illustrated in Table 10 of Annex I, 7.7% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 5.6 on a 0-10 range. 76.6% of the respondents having experienced at least one problem complained, including 42.4% to their retailer/provider and 15.3% to third-party complaint bodies. Thus, the share of Slovak consumers having experienced problems is higher than the EU 28 average but their level of detriment is below. The share of Slovak respondents who complained after experiencing a problem is also below the EU 28 average, with one third less complaints to retailers/producers, but a bit more complaints to third-party complaint bodies compared to the EU 28 average.

#### *Overview of consumer complaints for car rental insurance*

No data on complaints specific to car rental insurance in Slovakia were available.

#### *Overview of consumer complaints for add-on insurance*

No data on consumer complaints about this particular sector was available, and the stakeholders interviewed (NBS, FSUG expert, ECC SK, SOS Poprad) were not able to provide any feedback regarding complaints in these areas of add-on insurance.

#### *Cross-border consumer complaints*

The European Consumer Centre Slovakia only had to deal with 3 complaints between 2014 and 2015 on car rental services where insurance was included but was not the problematic area, as the complaints were about the car rental agreements themselves. The ECC

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<sup>786</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>787</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>



interviewee pointed out that the lack of complaints regarding this area could either mean that there is no cross-border activity in insurance or that the sector is functioning well and there is no need to use the services of the ECC.

#### 7.2.4. Access to information

Consumers look for information online, according to interviewed stakeholders (NBS, FSUG expert, SOS Poprad consumer association, ECC SK), as insurance and financial institutions as well as national authorities (NBS, ministries) tend to use very technical language. With regard to comparison websites, the national supervisory authority highlighted the Report on Good Practices of Comparison Websites<sup>788</sup> published by EIOPA<sup>789</sup> in 2014 that points out some shortcomings of these services. For example, comparison websites tend not to include all the insurance products available and insurance companies that offer/provide **highest "donation" may get preferential treatment as a result. So far**, as the NBS pointed out, Slovak consumers have not complained about these issues.

#### 7.2.5. Switching behaviour

According to the Slovakian law, consumers are allowed to switch their M3PL insurance provider every year, which leads to quite a high switching rate in this particular area as consumers tend to search for the best deal according to the FSUG expert interviewed. However, no specific data is available to support this view.

According to the FSUG expert, switching rate for property insurance is lower compared to M3PL as the contracts are usually signed for a longer period of time (i.e. more than a year) and consumers tend to stay with the insurance provider extending their contract as some insurance companies provide loyalty bonuses for existing customers.

#### 7.2.6. Consumer awareness

No campaigns aimed at improving consumer awareness in the area of non-life insurance products have been identified. The national supervisory body mentioned an initiative for financial education<sup>790</sup> that aims to ameliorate knowledge of Slovak consumers in the area of financial services. The initiative produces informative articles and interviews on the radio. It uses examples of most common cases, for example in the area of insurance coverage or excess, and discusses them in detail. The initiatives also distribute information leaflets. However, this initiative does not differentiate between life and non-life insurance products.

**The NBS itself runs an Institute of Banking Education (Inštitút bankového vzdelávania NBS, n.o. – IBV NBS)** that provides courses and workshops for the improvement of qualifications of personnel working in the financial sector, including insurance. For example, there is a workshop targeting specifically non-life insurance sector where the participants (insurance intermediaries, employees of insurance companies) obtain better knowledge of insurance products, especially with regard to products in the area of property and motor insurance. Ministry of Education, Science, Research and Sport of the Slovak Republic approved continuing education programmes on financial literacy for primary and secondary school teachers run by IBV NBS. These programmes should lead to teachers relaying the obtained knowledge to their pupils leading to a higher financial literacy among consumers.<sup>791</sup>

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<sup>788</sup> EIOPA, 2014, Report on Good Practices of Comparison Websites. Available at: [https://eiopa.europa.eu/Publications/Reports/Report\\_on\\_Good\\_Practices\\_on\\_Comparison\\_Websites.pdf](https://eiopa.europa.eu/Publications/Reports/Report_on_Good_Practices_on_Comparison_Websites.pdf)

<sup>789</sup> European Insurance and Occupational Pensions Authority

<sup>790</sup> No information as to who provides this initiative has been found.

<sup>791</sup> Inštitút bankového vzdelávania NBS, 2016. Available at: <http://www.ibv-nbs.sk/index.php>



The representative of the SOS Poprad consumer association mentioned that some other consumer associations may be working with schools and financial institutions on disseminating information on financial services and elevating financial literacy. Currently the consumer association interviewed is discussing the establishment of an insurance ombudsman together with some partner consumer associations.

### 7.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from Slovakia

Due to the lack of information on specific insurance products, this section will relate to non-life insurance in Slovakia in general, with some examples of cases relating to the specific products where relevant.

#### 7.3.1. Factors potentially leading to problems with consumer decision-making

The interviewed stakeholders (NBS, FSUG expert, SOS Poprad consumer association, ECC SK) emphasised that consumer decision-making in Slovakia is highly influenced by the lack of sufficient financial education of the consumers. Many consumers do not fully comprehend the product, the coverage it offers, exclusions in this coverage and the general terms and conditions of contracts.

The consumer association consulted, SOS Poprad, mentioned that in some cases consumers might even base their decisions regarding insurance products not on demand and supply of these products but based on advice given by an intermediary/agent. This was also corroborated by the ECC SK interviewee.

The FSUG expert mentioned that so far there have been no known attempts to calculate monetary detriment in the non-life insurance market as it consists of too many different products. Another obstacle that would need to be overcome is that the insurance companies are not willing to provide data necessary for these calculations to independent researchers.

#### 7.3.2. Remedies that have been proposed or put in place

The FSUG expert noted that there was an attempt to include one-cell benchmark comparison in the future amendments of the law on financial products. The supporters of this inclusion highlight the good functioning of this tool in other countries. One-cell benchmark comparison requires the newly entering foreign entity onto the domestic market to compare their product with the best product available in that category on the domestic market.

**There have not been many coordinated efforts to increase customers' awareness in the area of non-life insurance.** The National Bank of Slovakia has tried to improve conditions for consumer decision-making by producing a pre-contract form that the insurance companies should use, however, this effort has so far not proven very effective as highlighted by the stakeholder interview with the authority.

On the other hand, interviewees highlighted (NBS, FSUG expert, SOS Poprad) that in the past couple of years there have been amendments to the insurance law and law on protection of financial consumers. There have also been amendments of the civil code that contributed to better protection and awareness raising among consumers. Within these improvements, the courts have been encouraged to protect the presumed weaker sides of law suits, in this case to favour consumers in their cases against insurance companies as they are perceived to not be able to comprehend the full extent of insurance agreements.

The impact of the financial literacy initiative has been so far minimal, according to information provided in the interview with the national supervisory authority. The

representative of the interviewed consumer association, SOS Poprad, mentioned that some consumer associations are cooperating, and more are planning to cooperate, with schools and financial institutions to promote and ameliorate financial literacy education. This is seen as a manner to improve consumer understanding of financial services by educating citizens about the possibilities and dangers of the financial and insurance markets from a young age.

Furthermore, the representative of the SOS Poprad consumer association mentioned an idea that is being developed with other partner consumer associations. The idea would be to create an ombudsman whose area of interest would solely be the insurance market and its products. At the moment, the idea exchange is mainly evolving around possible ways to raise or obtain funds for this institution as consumer associations in Slovakia are non-governmental organisations and do not receive financial aid from the State (however, 2% from employee tax, individual tax or legal person tax may be donated to consumer associations if the payer of the tax chooses to do so).

## 8. Country Report: Spain

### 8.1. Non-life insurance market

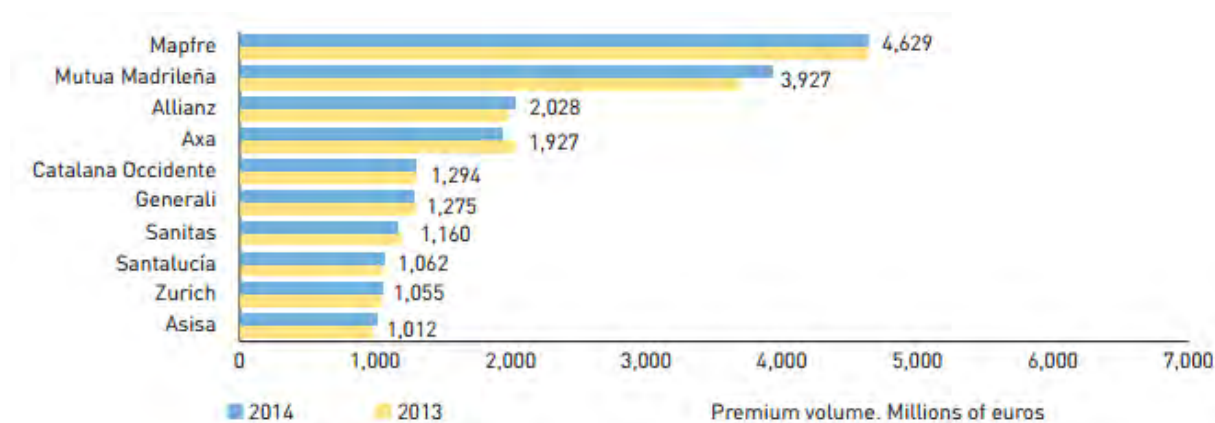
#### 8.1.1. Non-life insurance

##### *Overview of the national market*

In September 2016 in Spain there were 149 domestic insurance companies registered in the Administrative Registry of Insurance Companies of the national authority in the non-life sector<sup>792</sup>, from which, 24 were mutual insurance companies, 41 mutual insurance companies of social welfare and 84 were autonomous insurance entities. Additionally, there are 666 foreign insurance companies (excluding reinsurance companies) offering non-life products in Spain. 609 foreign insurance companies offer their products through freedom to provide services (FPS) and 57 foreign companies have offices in Spain under the freedom of establishment (FOE).

The graph below demonstrates the ranking of insurance groups by premium volume in non-life insurance.

Figure 39 : Ranking of non-life insurance groups by premium volume in Spain



Source: Mapfre, 2014, The Spanish Insurance Market

Mapfre and Mutua Madrileña are the two largest non-life insurance groups in Spain with each over 3.500 million premiums sold in 2014. Other important market players are Allianz, Axa and Catalana Occidente. The group Catalana Occidente continued to earn a significant percentage of its income from abroad in 2014, with almost 50% of the non-life insurance premiums earned originating from its international markets<sup>793</sup>.

Non-life insurance density or premium per inhabitant has decreased in Spain from 2011 to 2014. Non-life insurance density was of 658 EUR in 2014<sup>794</sup>.

<sup>792</sup> Dirección General de Seguros y Fondos de Pensiones, 2016, Aseguradoras y Reaseguradoras. Available at: <http://www.dgsfp.mineco.es/sector/EntidadesAseguradoras.asp>

<sup>793</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: [https://www.fundacionmapfre.org/documentacion/publico/i18n/catalogo\\_imagenes/grupo.cmd?path=1085186](https://www.fundacionmapfre.org/documentacion/publico/i18n/catalogo_imagenes/grupo.cmd?path=1085186)

<sup>794</sup> Dirección General de Seguros y Fondos de Pensiones, 2015, Informes Seguros y Fondos de Pensiones. Available at: <http://www.dgsfp.mineco.es/sector/documentos/Informes%202015/INFORME%20SECTOR%202015.pdf>

Table 194: Non-life insurance density in Spain (EUR)

Year	2011	2012	2013	2014
Premium/ inhabitant	677	665	647	658

Source: Mapfre, 2014, The Spanish Insurance Market.

The penetration of the non-life insurance has remained stable from 2011 to 2014, experiencing a slight decrease (0.1%) in 2013.

Table 195: Non-life insurance penetration in Spain (%)

Year	2011	2012	2013	2014
Premiums/GDP	3.0%	3.0%	2.9%	2.9%

Source: Mapfre, 2014, The Spanish Insurance Market.

In Spain, purchases of insurance products are highly interlinked with the number of household members. In the case of motor insurance, the ratio of motor insurance contracts exceeds 80% except for consumers living alone, in this case the ratio barely reaches 50%. The low ratio of motor insurance penetration for household with one member is due to +65-year-old consumers who are retired and do not use cars anymore. Penetration of household insurance shows that, despite not being a mandatory insurance, it has the second highest penetration level among Spanish families<sup>795</sup>. In households with four members, the ratio exceeds 80%.

Table 196 : Ratio of insurance products according to households in Spain

N. of household members	Motor	Household <sup>1</sup>	Civil liability
1	47.63%	63.15%	3.42%
2	80.26%	75.14%	7.17%
3	90.74%	78.11%	10.74%
4	94.23%	81.41%	12.30%
5	90.17%	71.38%	12.47%
6	87.71%	61.69%	18.55%

Source: UNESPA, 2015, Memoria Social.

Note 1: household insurance does not include health

In Spain, 4.5% of household budget is devoted to contract policies to cover the risks to which families are exposed in their daily lives. 46% of the budget spent on insurance products is dedicated to motor insurance, whereas around 20% goes into household insurance<sup>796</sup>.

<sup>795</sup> UNESPA, 2015, Memoria Social. Available at: [http://www.unespa.es/adjuntos/fichero\\_4174\\_20160602.pdf](http://www.unespa.es/adjuntos/fichero_4174_20160602.pdf)

<sup>796</sup> UNESPA, 2015, Memoria Social. Available at: [http://www.unespa.es/adjuntos/fichero\\_4174\\_20160602.pdf](http://www.unespa.es/adjuntos/fichero_4174_20160602.pdf) (data is also available by occupation of the insured as well as their earnings)

The table below shows the evolution of the share of non-life insurance premiums in household incomes. Spain's share of non-life insurance increased steadily from 2011 to 2013.

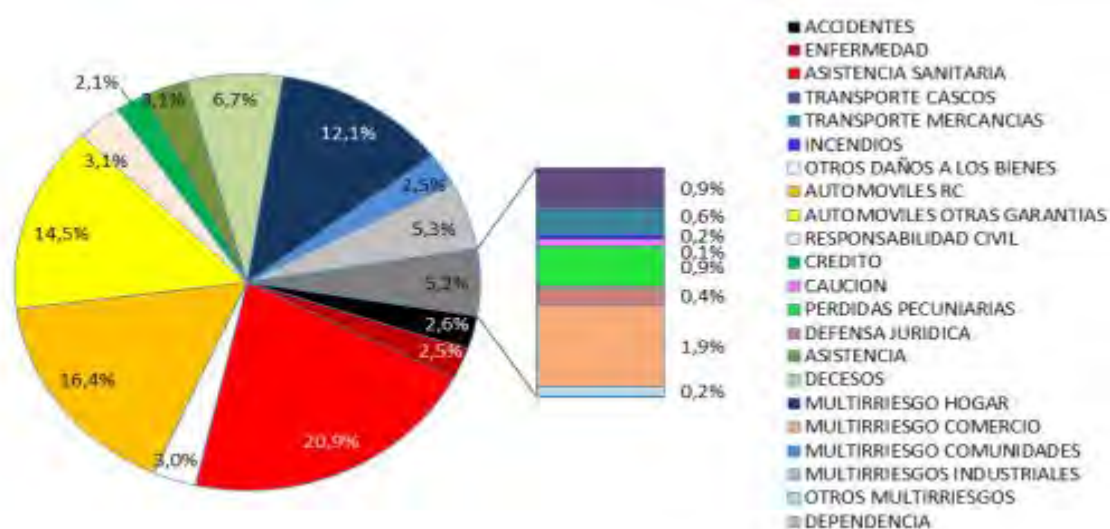
Table 197 : Share of non-life insurance premiums in household incomes in Spain

Year	2011	2012	2013	2014
Share of household income (%)	2.13	2.18	2.24	N/A

Source: UNESPA, 2015, Memoria Social.

The gross written premium (GWP) share of non-life insurance accounted for 55% of the total insurance sector (with household multi-risk and motor being the main categories) in 2014. The graph below shows the market share of different insurance products in non-life insurance in Spain in 2014 in terms of GWP.

Figure 40 : Market share insurance categories in 2014 in Spain



Source: Dirección General de Seguros y Fondos de Pensiones 2015,2014,2013,2012 & 2011, Informes Seguros y Fondos de Pensiones.

According to the figure, healthcare (*asistencia sanitaria*) has the largest share of the insurance market (20.9%), followed by third party liability car insurance (*automoviles RC*) with 16.4% of the share and other car insurance products (*automoviles otras garantias*) with 14.5% of the share.

In Spain, the National Insurance Supervisory Authority is the Dirección General de Seguros y Fondos de Pensiones (DGSFP) of the Ministry of Economy and Competitiveness.

The main insurance regulations in Spain include:

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- Law 50/1980 of 8 October on Insurance contracts (*Ley 50/1980, de 8 de octubre, de Contrato de Seguro*)<sup>797</sup>
- Consolidated Act on the Regulation and Supervision of Private Insurance Activity approved by Legislative Royal Decree 6/2004 dated 29 October (*Texto Refundido de la Ley de Ordenación y Supervisión de los Seguros Privados*) (TRLOSSP)<sup>798</sup>.
- Implementing Regulation on the Organisation and Supervision of Private Insurance, approved by Royal Decree 2486/1998 dated 20 November<sup>799</sup>.

The implementation of the Solvency II Directive requires the modification of nearly all the articles of the Consolidated Act on the Regulation and Supervision of Private Insurance Activity approved by Legislative Royal Decree 6/2004 dated 29 October (*Texto Refundido de la Ley de Ordenación y Supervisión de los Seguros Privados*) (TRLOSSP). The Solvency II Directive regulates the estimation of the insolvency risk as well as the resource requirements and requires solvency levels for the companies.

The activities of insurance and reinsurance intermediaries are regulated under the Insurance Mediation Act (*Ley 26/2006, de Mediación de Seguros y Reaseguros Privados*) (LMSRP)<sup>800</sup>. This law was implemented in order to include new intermediaries in the insurance sector (like insurance agents linked to multiple insurance companies and reinsurance brokers), ensure equality of treatment of all intermediaries (including professional requirements) and enhance transparency requirements in order to protect consumers. Under the previous insurance mediation regulation (1992), only brokers were regulated and subject to registration, whereas insurance agents were trained by (and registered with) their insurance company only. Insurance companies managed their own registry of agents and assumed the administrative responsibility for their agents.<sup>801</sup> As a result, insurance companies were not required to be registered or authorised to carry out insurance mediation activities through direct sales to customers. The new regime requires all intermediaries – including tied and multi-linked agents – to be registered with the supervisor, in accordance with the principle of equality of treatment.

The Insurance Distribution Directive (IDD) which came into force on 22 February 2016 and updated the 2002 Insurance Mediation Directive, sets out a framework for regulating EU insurance brokers, agents and other intermediaries. The key elements of the new Directive are (i) extending the scope to cover all sales of insurance products; (ii) identifying, managing and mitigating conflicts of interest; (iii) strengthening administrative sanctions; (iv) enhancing the suitability and objectiveness of insurance advice; (v) ensuring that **sellers' professional qualifications match the complexity of the products they sell; and (vi) clarifying the procedure for cross-border market entry.** According to a UNESPA interviewee, the majority of the IDD elements are already covered by Spanish Insurance Mediation Act, therefore the IDD is expected to have a limited impact on the supply of non-life insurance products in Spain.

In Spain insurers are subject to a premium tax and a parafiscal tax for some non-life products. For example, insurers have to pay a contribution of 0.07 EUR per motor contract

<sup>797</sup>Ley 50/1980, de 8 de octubre, de Contrato de Seguro. Available at: <http://www.dgsfp.mineco.es/sector/documentos/legislacion/CONTRATO%20JULIO%202006.pdf>

<sup>798</sup> Real Decreto Legislativo 6/2004, de 29 de octubre, por el que se aprueba el texto refundido de la Ley de ordenación y supervisión de los seguros privados. Available at: <https://www.boe.es/buscar/act.php?id=BOE-A-2004-18908>

<sup>799</sup> Real Decreto 2486/1998, de 20 de noviembre, por el que se aprueba el Reglamento de Ordenación y Supervisión de los Seguros Privados. Available at: [https://www.boe.es/diario\\_boe/txt.php?id=BOE-A-1998-27047](https://www.boe.es/diario_boe/txt.php?id=BOE-A-1998-27047)

<sup>800</sup>Ley 26/2006, de 17 de julio, de mediación de seguros y reaseguros privados. Available at: <https://www.boe.es/buscar/act.php?id=BOE-A-2006-12916>

<sup>801</sup>CMS, 2016, CMS Annual review 2015-2016. Available at: [www.cms-bfl.com/jahia/webdav/site/myjahiasite/shared/CMS/CMS279\\_final\\_links\\_0306 .pdf](http://www.cms-bfl.com/jahia/webdav/site/myjahiasite/shared/CMS/CMS279_final_links_0306.pdf)

to finance the Spanish national bureau. The table below shows the percentage of each tax per non-life insurance category.

Table 198: Insurance taxation in Spain (%)

Type	Premium tax	Parafiscal taxes			
		Fire brigade tax	Fund for the winding up of insurance companies	National guarantee fund	Fund for the insurance of extraordinary risks
Motor – compulsory liability	6%	-	0.15%	2%	-
Motor - voluntary liability	6%	-	0.15%	-	-
Motor- material damage	6%	-	0.15%	-	-
<b>Householders' all risks</b>	6%	2.5%	0.15%	-	-
Compulsory travel insurance <sup>802</sup>	6%	-	0.15%	-	-

Source: Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe

### Overview of premiums

According to the Spanish Directorate General for Insurance and Pensions statistics, earned premiums in Spain have increased steadily from 2011 to 2015 except for 2013 where a decrease in earned premiums was experienced due to important setbacks in motor third party liability insurance earned premiums (from a share of 12.55% in 2012 to 10.02%) and motor other guarantees insurance (from 14.52% in 2012 to 13.96%).

In 2015, around 75% of total non-life premiums is represented by motor insurance, third party liability, health assistance, accident insurance, death insurance<sup>803</sup> and multi-risk insurance<sup>804</sup>.

The table below shows the evolution of earned premiums for non-life products sold to Spanish consumers only while non-life overall earned premiums include products sold to both consumers and businesses. Non-life earned premiums grew between 2011 and 2013, before experiencing a slight drop in 2014 and rising again steadily the following years.

<sup>802</sup> Travel insurance is compulsory in Spain when 1. A trip has been organized by a travel agency or tour company. The insurance covers the assistance derived from accidents in Spanish means of transport with departure from national territory. 2. Visiting certain countries that to enter their territory and not to assume an economic burden, demand at least a medical insurance of illness and accident.

<sup>803</sup> Death insurance offers a specialized solution to solve material needs and help with the emotional consequences on the family in the face of the death of a loved one.

<sup>804</sup> Dirección General de Seguros y Fondos de Pensiones, 2015, Informes Seguros y Fondos de Pensiones. Available at: <http://www.dgsfp.mineco.es/sector/documentos/Informes%202015/INFORME%20SECTOR%202015.pdf>

Table 199 : Gross Earned Premiums - Non -life insurance in Spain (in million EUR)

Year	2011	2012	2013	2014	2015
Non-life earned premiums	31,348	31,515	30,985	30,863	31,147
Motor insurance (other insurances)	10,617	10,266	9,854	9,524	9,538
Motor insurance third party liability	5,670	5,499	5,258	5,063	4,980
Household multi-risk insurance	3,506	3,643	3,699	3,738	3,807

Source: Dirección General de Seguros y Fondos de Pensiones, 2015, 2014, 2013, 2012 & 2011, Informes Seguros y Fondos de Pensiones.

The table below shows the evolution of gross written premiums (GWP) for the non-life insurance sector. The premium volume of non-life insurance grew by 0.9 percentage points, reaching 30.695 billion EUR in 2014, which was a recovery compared to the previous years.

Table 200 : Gross written premiums for the non-life insurance sector in Spain

Year	2011	2012	2013	2014	2015
Non-life (million EUR)	31,197	31,037	30,350	30,695	31,282
Year on year variation of non-life GWP	0.72%	- 0.51%	- 2.22%	1.14%	1.91%

Source: Dirección General de Seguros y Fondos de Pensiones, 2015, Informes Seguros y Fondos de Pensiones.

In line with the positive trends observed in 2014, non-life insurance activity in 2015 was indeed expected to consolidate its path toward growth, based on outlooks for the Spanish economy regarding factors such as higher industrial activity, greater availability of financing, cuts in taxation, and an increased availability of household income<sup>805</sup>.

#### *Overview of consumer claims*

Insurance Europe reported that 13,860 million EUR were paid out in Spain for non-life insurance products claims in 2014 (excluding health). Table 7 of Annex I shows total non-life claims paid out from 2011 to 2014. Non-life claims expenditure increased from 2011 to 2012, then decreased the following years.

The table below displays the evolution of claims ratio and combined ratio between 2011 and 2014, showing a steady increase.

<sup>805</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>



Table 201 : Basic indicators for non-life insurance claims in Spain

	2011	2012	2013	2014
Gross claims ratio	68.4%	68.8%	69.2%	69.5%
Gross claims expenses	21.4%	22.1%	22.3%	22.4%
Net claims ratio <sup>806</sup>	70.5%	70.9%	70.7%	71.4%
Net combined ratio <sup>807</sup>	92%	92.3%	93.5%	93.9%

Source: Mapfre, 2014, The Spanish Insurance Market.

The 'Consortio de Compensación de Seguros' (CCS) is a public business organisation attached to the Ministry of Economy and Competitiveness, through the DGSFP. The Consortio de Compensación de Seguros assumes the liquidation of insurance entities when they are mandated by the Minister of Economy and Competitiveness or by the competent body of the Autonomous Communities and acts as the administrator in bankruptcy in the tendering procedures of creditors. It performs many functions within the insurance field, including coverage of extraordinary risks causing damages to individuals and goods, compulsory vehicle insurance, combined agricultural insurance and liquidation of insurance companies.

The extraordinary risks covered by the CCS are the following<sup>808</sup>:

- Natural hazards – earthquakes, seaquake, extraordinary floods, volcanic eruptions, atypical cyclonic storms and fall of astral bodies and meteorites. Violent situations – terrorist attacks, rebellions, sedition, riots and civil unrest.
- Armed forces and security arms forces acts in times of peace

On the one hand, the CCS collects premiums when it acts as a direct insurer / co-insurer / reinsurer. On the other hand, there are surcharges on the premiums that consumers pay when contracting a car insurance policy or surcharges that fall by law on the CCS, such as payment of indemnities in case of natural disasters or risks from political-social events that are not assumed by the private insurance companies.

The CCS only can take on the contracting of the Compulsory Motor Vehicle Insurance in exceptional circumstances, in those cases where the risks to be covered have not been accepted by private insurance companies. For this reason, the Consortio cannot act as any other insurance company, competing with the other companies. It does not have a commercial nature, nor can it accept insurance requests due to the price; it can only contract the insurance in case the vehicle's insurance has already been rejected on the insurance market by at least two insurance companies. The compulsory motor insurance coverage of CCS includes privately owned and state-owned vehicles. Additionally, the CCS also covers damages to vehicles uninsured, robbed and unknown or from companies that are going through a liquidation process. The latter is covered by the Guarantee Fund.

<sup>806</sup> Net claims ratio: Claims ratio (Direct business + Accepted - Transferred) + Variation of Other technical provisions / Net earned premiums (Direct + Accepted - Transferred)

<sup>807</sup> Net combined ratio: Net claims ratio + Net expenses (Direct + Accepted - Transferred)

<sup>808</sup>Consortio de Compensación de Seguros, 1997, Charter. Available at: [http://www.consorseguros.es/web/documents/10184/13689/Estatuto\\_Legal\\_Consorcio/bfa5d0e3-167b-460b-acd8-ab2f7f832dfa](http://www.consorseguros.es/web/documents/10184/13689/Estatuto_Legal_Consorcio/bfa5d0e3-167b-460b-acd8-ab2f7f832dfa)

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Unlike the direct insurance where the Consortium issues the policies and charges the premiums, the guarantee fund income corresponds to:

- the imputed surcharges of the Consortium included by the insurance companies in their Compulsory Motor Vehicle insurance policies, which decreased by 1.6% in 2015 compared to 2014.
- the consortium takes 50% of the sanctions imposed by the different traffic offices, when vehicles circulate without the compulsory insurance of the automobile. These surcharges have fallen by 16.3% compared to 2014.

The earned premiums and additional surcharges of the CCS increased for three types of Compulsory Motor Vehicle Insurance in 2015. The CCS insured 33% private vehicles less than the previous year, a total of 1.300 units. However, the CCS maintained the number of official vehicles insured.

Table 202: Earned premiums and additional surcharges of CCS in Spain

CCS – General Activity	Earned premiums and additional surcharges (million EUR)	
	2014	2015
Third party liability insurance (Guarantee Fund)	96,80	97,40
Third party liability insurance (privately-owned vehicles)	0,46	0,64
Third party liability insurance (state-owned vehicles)	8,47	8,59

Source: Consorcio de Compensación de Seguros, 2015, Annual report.

Contrary to previous years, which were characterized by either the number of natural disasters occurred or the manifested economic consequences, 2014 was marked by a moderate claims ratio in all areas in which the Consorcio de Compensación de Seguros intervenes, including the areas of extraordinary risk insurance and automobile insurance, as well as in agricultural insurance and reinsurance<sup>809</sup>.

The claims ratio of extraordinary risk<sup>810</sup> insurance was at 37,9% of CCS earned premiums, manifesting the upward trend of recent years (36,0 % in 2013 and 2014). In automobile insurance, the claims ratio of the activity of the guarantee fund reached 61,6 % in 2015, while compulsory insurance for private vehicles was 195,4% and 99,9% in the case of official vehicles.

<sup>809</sup> Mapfre, 2014, The Spanish Insurance market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>

<sup>810</sup> A) Risks of nature: earthquakes, tsunamis, extraordinary floods, eruptions, volcanic storms, atypical cyclonic storm (essentially tornadoes and gusty winds more than 120 km / h,) and sidereal bodies or aeroliths. B) Violent acts as a result of: terrorism, rebellion, sedition, mutiny, popular tumult. C) The facts or actions of the Forces Armed Forces or Security Forces in peacetime.

Table 203: Claims ratio - Consorcio de Compensación de Seguros in Spain (%)

Year	Net claims ratio		
	2013	2014	2015
Extraordinary risks	36.0	36.0	37.9
Compulsory motor insurance	55.3	48.5	61.6
Compulsory motor insurance -Private vehicles	87.5	65.1	195.4
Compulsory motor insurance -Official vehicles	114.1	118.4	99.9

Source: Consorcio de Compensación de Seguros, 2015, Annual report.

### 8.1.2. Household insurance

#### *Overview of the selected products*

New house owners are obliged to have a house insurance that cover their household in case of fire if they have taken a mortgage. Pursuant to 14/2007 law, fire coverage is the only risk for which mortgaged houses need to be fully covered by law.<sup>811</sup>

In Spain, the main household insurance product is called multi-risk household insurance (*multirriesgo del hogar y comunidad*) and provides financial protection against risks to property and its content, such as fire, theft, liability etc. It usually covers:

- Material damage;
- Third party Liability;
- Assistance both at the domicile of the insured and during travels;
- Complementary covers such as vehicles inside garages or home appliances.

While there may be significant differences in coverage between different insurance providers, most contracts cover damage from fire, water leakage, theft, liability and legal defence. Fire insurance is not mandatory for all houses. It is only compulsory when the house owners have applied for a mortgage loan to the bank<sup>812</sup>.

Damages in case of natural disasters are covered by Consorcio de Compensación de Seguros (CCS). Although Spain is not a country that is particularly affected by natural disasters, the main functions of the CCS are to cover damages caused by floods, earthquakes, tsunamis or other natural phenomena<sup>813</sup>. The CSS also covers damages arising from certain political or social events.

Some insurance companies limit the policy coverage by setting a percentage of the item insured and by setting a maximum amount for each risk. For example, Mapfre Seguros offers four types of multi-risk house products<sup>814</sup>. The table below shows the different types of coverages the four household insurance products offer.

<sup>811</sup> Ley 41/2007, de 7 de diciembre, por la que se modifica la Ley 2/1981, de 25 de marzo, de Regulación del Mercado Hipotecario y otras normas del sistema hipotecario y financiero, de regulación de las hipotecas inversas y el seguro de dependencia y por la que se establece determinada norma tributaria. Available at: <https://www.boe.es/buscar/doc.php?id=BOE-A-2007-21086>

<sup>812</sup> Mapfre, 2016, ¿Es obligatorio el seguro de incendios?, <https://www.mapfre.es/seguros/particulares/hogar/faqs/seguro-incendio.jsp>

<sup>813</sup> Mapfre, 2016. ¿Qué es el consorcio de compensación de seguros?, <https://www.mapfre.es/seguros/particulares/hogar/faqs/consorcio.jsp>

<sup>814</sup> Mapfre, 2016, Seguros de Hogar, <https://www.mapfre.es/seguros/particulares/hogar/seguros-de-hogar/>

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1. Essential household insurance
2. Platinum household insurance
3. Total risk household insurance
4. Family household insurance

Table 204: Household insurance products coverage in Spain - Mapfre

Coverage	1. Essential	2. Platinum	3. Total	4. Family
Damages to property/belongings	x	x	x	x
Temporary movement of goods insured		x	x	x
Burglary, Theft and Misappropriation	x	x	x	x
Additional guarantees <sup>815</sup>		x	x	x
Third party liability	x	x	x	x
Family assistance	x	Optional	Optional	Optional
IT Support Service	x	x	x	x
Digital Protection Service <sup>816</sup>	x	x	x	x
Legal defence		x	x	x
Accidents – all risks		x	x	
Technical assistance – all risks <sup>817</sup>		Optional	Optional	
Travel assistance		Optional	Optional	Optional
Urgent assistance	x	x	x	x
Assistance in repairs and bricolage	x	Optional	Optional	Optional

Source: Mapfre, 2016. Seguros de Hogar.

Building is generally considered as: housing, facilities and fixed elements (i.e. all those goods that cannot be separated from the property without causing impairment), garages and storage, as well as the proportionate share of the common areas of the building. In general, content is considered as: furniture, appliances, clothing, other personal belongings, supplies and food. Unless otherwise agreed, insurers typically exclude vehicles

<sup>815</sup> Additional guarantees cover: loss of refrigerated food due to lack of electrical supply or breakdown of the appliance; replacement of locks due to theft or loss of keys; flooding; damage due to anomalous electric current; temporary displacement (furniture, jewels) outside the house (trips and stay in a hotel or rented dwelling etc.)

<sup>816</sup> Coverage: Protection in case of digital harassment of minors, erasure of Internet tracing and location and blocking of mobile devices due to theft or loss.

<sup>817</sup> Todo riesgo tecnológico. The coverage includes accidental breakdown of telephony, computer and image and sound equipment.

from their coverage, as well as potentially dangerous animals, plants, jewellery and valuables, furs, antiques<sup>818</sup>.

#### *Overview of the national market*

Multi-risk household insurance is still the third most important line in Non-Life insurance, with a market share of 21.4 % in 2014, only behind motor and health insurance<sup>819</sup>.

The incipient reactivation of both the economy and credit has boosted the initial recovery of the real estate market in 2014, a slow recovery that continues to be weighed down by the high unemployment rate and large number of unsold homes. However, after an accumulated drop in the price of homes exceeding 30% during the crisis, this decrease stopped in 2014<sup>820</sup>.

In April 2016, 23,607 mortgages were signed in Spain, a 24.6% increase compared to April 2015<sup>821</sup>. 92% of properties with a mortgage loan in Spain are insured<sup>822</sup>. However, only 60% of properties with old rent agreements<sup>823</sup> and 68.5% of rented properties are insured. In total, 8.4 million homes in Spain are still uninsured according a study published by Linea Directa<sup>824</sup> in December 2015.

Household insurance penetration represented 0.8% of the Spanish GDP in 2014, a slight increase compared to the previous three years.

Table 205: Penetration of household insurance in Spain

Year	2011	2012	2013	2014
Penetration (%)	0.7	0.7	0.7	0.8

Source: Insurance Europe, 2016, European Insurance Industry Database

The density of household insurance products in Spain has varied slightly from 2011 to 2014, ranging from 152 EUR to 157 EUR.

Table 206: Density of household insurance in Spain

Year	2011	2012	2013	2014
Density (EUR)	154	157	153	152

Source: Insurance Europe, 2016, European Insurance Industry Database

<sup>818</sup> Dirección General de Seguros y Fondos de Pensiones, 2016, Guía para la contratación de seguros, Principales tipos de contrato de seguro - Multirriesgo del hogar y comunidad. Available at: <http://www.dgsfp.mineco.es/Gaspar/SETiposMhogar.asp>

<sup>819</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>

<sup>820</sup> Mapfre, 2014, Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>

<sup>821</sup> El País, 2016, La firma de hipotecas para vivienda vuelve a subir con fuerza: crece el 24,6%. Available at: [http://economia.elpais.com/economia/2016/06/29/vivienda/1467182958\\_667199.html](http://economia.elpais.com/economia/2016/06/29/vivienda/1467182958_667199.html)

<sup>822</sup> Linea Directa, 2015, El infraseguro en el hogar en España: ¿están nuestras casas bien aseguradas?. Available at: <http://info.lineadirecta.com/documents/10538/328634/Dossier-Prensa-Infraseguro-en-el-hogar-en-Espa%C3%B1a.pdf>

<sup>823</sup> Propeties (houses and commercial spaces) rented before 9 May 1985

<sup>824</sup> Linea Directa, 2015, El infraseguro en el hogar en España: ¿están nuestras casas bien aseguradas?. Available at: <http://info.lineadirecta.com/documents/10538/328634/Dossier-Prensa-Infraseguro-en-el-hogar-en-Espa%C3%B1a.pdf>

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The table below shows the ratio of household insurance according to the number of members of the household. The ratio is highest for households between 2 and 5 members, while it is a bit lower for households with only one person or with 6 persons.

Table 207: Ratio of household insurance according to households in Spain

N. of household members	Household insurance (%)
1	63.15
2	75.14
3	78.11
4	81.4
5	71.38
6	61.69

Source: UNESPA, 2015, Memoria Social.

### Overview of premiums

In 2014, home insurance GWP experienced the largest growth in the field of Multi-Peril/multi-risk household insurance (+ 1.5 % in 2014).

Table 208: Gross written premiums in the household insurance sector in Spain (million EUR)

Premiums	2011	2012	2013	2014
Multi-risk total	6,579	6,627	6,537	6,550
Home	3,656	3,764	3,779	3,837
Fire (non-household specific)	102	91	96	109
Theft (non-household specific)	25	22	27	26
Other damages to goods	N/A	N/A	793	816
Assistance	316	309	312	335

Source: Mapfre, 2014, The Spanish Insurance Market.

Household multi-risk insurance earned premiums have increased steadily from 2011 to 2014, reaching 3,738 Million EUR in 2014, a 1.1% increase compared to 2013<sup>825</sup>.

<sup>825</sup> Dirección General de Seguros y Fondos de Pensiones, 2015, Informes Seguros y Fondos de Pensiones. Available at: <http://www.dgsfp.mineco.es/sector/documentos/Informes%202015/INFORME%20SECTOR%202015.pdf>

Table 209: Earned premiums in the household insurance sector in Spain (million EUR)

Premiums	2011	2012	2013	2014
Multi-risk total	6,465	6,862	6,815	6,788
Home	3,506	3,643	3,699	3,738

Source: Dirección General de Seguros y Fondos de Pensiones 2015, 2014, 2013, 2012 & 2011, Informes Seguros y Fondos de Pensiones.

#### Overview of data on claims

The table below displays the evolution of property claims expenditure and claims paid. It shows an increase of property claim expenditure between 2011 and 2012 and a decrease since then.

Table 210 : Property claim expenditure in Spain (million EUR)

	2011	2012	2013	2014
Gross claim expenditure	4,111	4,402	4,307	4,200
Of which claims paid	4,392	4,342	4,446	3,870

Source: Insurance Europe, 2016, European Insurance Industry Database.

The table below presents the progression of home multi-risk insurance claims ratio and combined ratio between 2011 and 2014. The gross claims ratio, net claims ratio and net combined ratio increased between 2011 and 2013 before decreasing in 2014.

Table 211 : Home multi-risk insurance ratios in Spain (%)

	2011	2012	2013	2014
Gross claims ratio	56.6	57.7	59.0	58.6
Net claims ratio	57.7	58.8	60.0	59.3
Net combined ratio	89.9	90.5	92.2	90.1

Source: Mapfre, 2012-2014, The Spanish Insurance Market.

### 8.1.3. Motor insurance

#### *Overview of the selected products*

Motor insurance<sup>826</sup> must cover third party liability insurance pursuant to the Royal Legislative Decree 8/2004<sup>827</sup>. Motor insurance premiums may include additional coverage such as:

- Further third party liability with higher sum insured<sup>828</sup>;
- Own damage and fire;
- Theft of the insured vehicle;
- Break of windscreens and windows of the vehicle;
- Personal accident of occupants of the insured vehicle;
- Travel assistance;
- Assistance for deprivation of driving license;
- Replacement of the insured vehicle.

The third-party liability insurance coverage increased significantly due to the modification of civil and liability insurance in the circulation of motor vehicles from Law 21/2007<sup>829</sup>:

- For damage to property and animals, the maximum coverage of 100,000 EUR per claim passes on to a ceiling of 15 million EUR of coverage per claim, regardless of the number of vehicles or goods affected.
- For damage to people, the maximum coverage of 350,000 EUR per person is changed to a maximum coverage of 70 million euros per claim, regardless the number of victims.

Some vehicles are not insured by insurance companies. In these cases, the Consorcio de Compensación de Seguros (CCS) takes on the compulsory cover of motor vehicles (third party liability insurance) not accepted by insurance companies, as well as that of the public organisms that request it. It also compensates the damages caused by unknown, uninsured or stolen vehicles<sup>830</sup>. The CCS covers the repair of damage produced to third parties as a result of traffic accidents up to the following amounts established by Law for civil liability and insurance for the use of motor vehicles:

- Personal injury: up to 70 million EUR, irrespective of the number of victims.
- Damage to property: up to 15 million EUR per loss.
- Medical and pharmaceutical assistance and hospitalisation: up to the necessary amount until the injuries have healed or consolidated, as long as the expenses are duly justified.
- Funeral and burial costs: in accordance with the uses and customs of the place where the ceremony takes place, up to the justified amount.
- The expenses indicated in the preceding two paragraphs are considered to be included within the limits foreseen for personal injury and will be compatible therewith.

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<sup>826</sup> Dirección General de Seguros y Fondos de Pensiones, 2016, Guía para la contratación de seguros, Principales tipos de contrato de seguro - Multirriesgo del hogar y comunidad. Available at: <http://www.dgsfp.mineco.es/Gaspar/SETiposMhogar.asp>

<sup>827</sup> Real Decreto Legislativo 8/2004, de 29 de octubre, por el que se aprueba el texto refundido de la Ley sobre responsabilidad civil y seguro en la circulación de vehículos a motor Available at: <https://boe.es/buscar/act.php?id=BOE-A-2004-18911&p=20150923&tn=2>

<sup>828</sup> Extends the civil liability of the insured up to for example 50,000,000 euros.

<sup>829</sup> Ley 21/2007, de 11 de julio, por la que se modifica el texto refundido de la Ley sobre responsabilidad civil y seguro en la circulación de vehículos a motor, aprobado por el Real Decreto Legislativo 8/2004, de 29 de octubre, y el texto refundido de la Ley de ordenación y supervisión de los seguros privados, aprobado por el Real Decreto Legislativo 6/2004, de 29 de octubre.

<sup>830</sup> Consorcio de Compensación de Seguros, 2016, Contracting with the Consorcio, <http://www.consorseguros.es/web/ambitos-de-actividad/seguros-de-automoviles/contratacion-de-seguros>



In Spain, for motor insurance, there are direct compensation Conventions (*Convenios de indemnización directa* - CIDE / ASCIDE / CICOS), whose objective is the processing of the material damage caused by the direct collision of two vehicles insured through compulsory liability insurance (third party liability insurance). However, even if during the accident different types of damage occurred, namely personal injury and material damage, only the latter are processed by the Conventions. The agreements are signed between insurers and are designed to handle claims for property damage in an efficient way. Roadside assistance (*asistencia en viajes*), glass breakage (*rotura de lunas*) and legal expenses (*defensa penal*) in the event of a court case may be included in basic third-party cover or can be added for an additional premium.

Third-party, Fire & Theft: Third-party, fire and theft insurance (*responsabilidad civil obligatoria, incendio y robo*), **known in some countries as 'part comprehensive', includes** cover against fire (*incendio*), natural hazards (e.g. rocks falling on the car), theft (*robo*), broken glass (e.g. windscreen), legal expenses (*defensa penal*), and possibly damage or theft of contents (although this is rare). Insurance against the theft of a stereo system is usually available only from the manufacturer (it may be included in the purchase price). The consumer may be able to take out fire cover independently, although it is usually combined with theft cover.

**Comprehensive: Comprehensive (sometimes called 'fully comprehensive') insurance, known in Spain as "all risks" (*todo riesgo*), covers all the risks listed under third-party liability, fire and theft (above) plus all other types of damage to the vehicle irrespective of how it is caused.** Some insurance companies do not provide comprehensive cover for vehicles more than two or three years old (although it is possible to get comprehensive cover on vehicles up to ten years old). Comprehensive insurance may be compulsory for lease and credit purchase contracts. Spanish insurers do usually not pay for a replacement car when the vehicle is being repaired after an accident.

Driver & Passenger Insurance: Driver and passenger insurance (*seguro de ocupantes*) is usually optional and can be added to insurance policies. Driver protection allows the driver of a vehicle involved in an accident to claim for body injury to himself/herself, including compensation for his/her inability to work or for his/her beneficiaries should he/she be killed. There are usually various levels of driver and passenger accident insurance coverage, e.g. from 3,000 EUR to 30,000 EUR for death and permanent disability.

Special Insurance: Special insurance can be purchased for contents and accessories such as an expensive car stereo system.

According to the Spanish Consorcio de Compensación rules, excess for all motor third party liability insurance shall be determined as follows<sup>831</sup>:

a. In case of direct damage, in insurances against damage to goods, the excess for the insured will be 7% of the amount of the compensable damage caused by the loss. However, no deduction for excess will apply to damage affecting homes, ownership communities and vehicles which are insured under a motor policy.

b. In case of loss of profits, the excess for the insured will be that foreseen in the policy, in time or amount, for damage resulting from ordinary claims of loss of profits. If there

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<sup>831</sup> IBEX, Spanish motor insurance policy; Available at: [http://www.ibexinsure.com/\\_literature\\_123797/Spain\\_motor\\_insurance\\_policy](http://www.ibexinsure.com/_literature_123797/Spain_motor_insurance_policy)

are several excess rates for the cover of ordinary claims of loss of profits, those stated for the main cover will apply.

c. When the policy provides a combined excess for damage and loss of profits, material damage will be settled by the Insurance Compensation Consortium less the applicable in accordance with section a) before, and the loss of profits caused with deduction of the excess stated in the policy for the main cover, less the excess applied in the settlement of material damage.

In the case of personal insurance, no excess will apply.

Some car insurance coverages have certain limits that consumers should know to avoid surprises in case of accident.<sup>832</sup> Coverage for medical expenses of the car driver after an accident, when the driver caused the accident is not covered by social security, therefore **driver's medical care bill will be sent to the driver's car insurance company. Normally the insurance coverage of driver & passenger insurance products is limited and would not cover all expenses of the health treatment.**

For example, the driver's insurance offered by Pelayo insurer covers medical care up to one year and with a limit of 100,000 euros. In the case of Axa or Direct insurers, health treatments taken place in semi-private (concertados) health care centres will be covered up to 6,000 EUR. In both insurers, this health coverage applied only for consumers that are not older than 70 years-old. Qualitasauto driver insurance products cover expenses of medical-pharmaceutical treatment and the first displacement by ambulance to hospital/health centre. A maximum of 5,000 euros will be paid for treatments in centres outside the list of centres/hospitals collaborating with this insurance company<sup>833</sup>.

#### *Overview of the national market*

In 2014, in Spain the number of vehicles reached almost 31 million, a value similar to the one registered the previous year<sup>834</sup>. Reportedly, vehicle registrations increased by 20.6 percentage points during 2014.

At the end of 2015, 50 insurance companies were proposing motor insurance. The motor insurance sector is highly concentrated with the 5 top insurance companies accounting for 56.86% of the motor premiums and the top 10 insurance companies providing 78.73% of the premiums<sup>835</sup>.

Motor insurance density has decreased from 2011 to 2014, laying at 204 EUR in 2014.

Table 212: Insurance density - Motor insurance in Spain

Year	2011	2012	2013	2014
Density (EUR)	227	219	211	204

Source: Insurance Europe, 2016, European Insurance Industry Database

<sup>832</sup> El País, 2016, Los límites de las coberturas del seguro de coche. Available at: <http://www.elmundo.es/motor/2016/07/20/578fa3a7468aeb44758b4642.html>

<sup>833</sup> El País, 2016, Los límites de las coberturas del seguro de coche. Available at: <http://www.elmundo.es/motor/2016/07/20/578fa3a7468aeb44758b4642.html>

<sup>834</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/porta1/global-risks/docs/MercadoEspa1iol2014-en.pdf>

<sup>835</sup> Dirección General de Seguros y Fondos de Pensiones, 2015, Annual report. Available at: <http://www.dgsfp.mineco.es/sector/documentos/Informes%202015/INFORME%20SECTOR%202015.pdf>

Motor insurance penetration has also decreased slightly, accounting for 0,9% of the GDP in 2014.

Table 213: Insurance penetration - Motor insurance in Spain

Year	2011	2012	2013	2014
Penetration (%)	1.0	1.0	0.9	0.9

Source: Insurance Europe, 2016, European Insurance Industry Database

Motor insurance is the sector with the highest coverage ratio per household in the Spanish market, reaching 80% for most types of households, apart from households that count only one person<sup>836</sup>.

The table below shows the ratio of motor insurance in Spain in 2014 according to the number of members of the household.

Table 214 : Ratio of motor insurance according to households in Spain (%)

N. of household members	Motor
1	47.63
2	80.26
3	90.74
4	94.23
5	90.17
6	87.71

Source: UNESPA, 2015, Memoria Social.

### Overview of premiums

The premium volume in Motor insurance during 2014 was 9,882 billion EUR, representing 1.4 percentage points less than the previous year<sup>837</sup>. The persistent drop of both premium volumes and average premiums over the last seven years is the result of both the economic crisis and the competition between insurance companies in this area. Yet, motor insurance continues to be one of the main non-life insurance businesses, accounting for around 17.8% of the total premiums of the insurance market<sup>838</sup>. Motor premiums in Spain had fallen by 4.2% in 2013, largely due to fierce competition in the market and the fact that the number of motor vehicles on the road remained stable.

Regarding automobile insurance, optimistic indicators appear to reveal a change in the trend toward contraction, which had characterised this business line since the start of the crisis.

<sup>836</sup> UNESPA, 2015, Memoria Social. Available at: [http://www.unespa.es/adjuntos/fichero\\_4174\\_20160602.pdf](http://www.unespa.es/adjuntos/fichero_4174_20160602.pdf)

<sup>837</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>

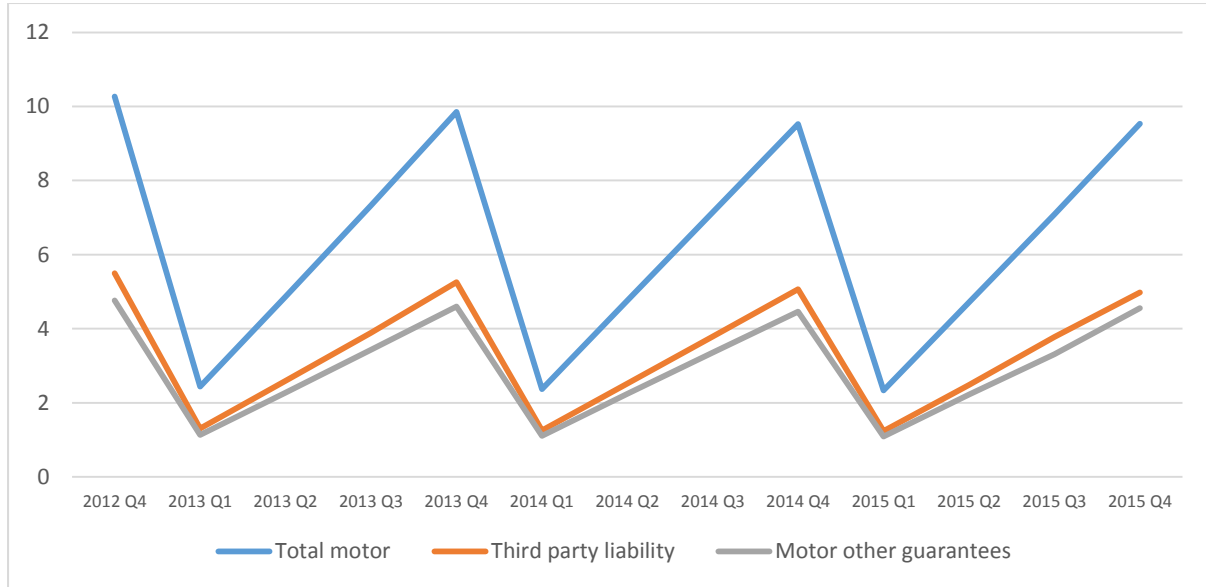
<sup>838</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>

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Positive indicators include increase in vehicle registration, fuel consumption and number of insured vehicles.<sup>839</sup>

The table below presents an overview of the earned premiums evolution in the motor sector. It shows important peaks every fourth quartile of the year.

Table 215: Earned Premiums evolution in the motor sector in Spain –Quarterly data (million EUR)



Source: Dirección General de Seguros y Fondos de Pensiones, 2012-2015, Annual reports.

The following table displays the progression of gross written premiums for the motor sector, showing a continuous decrease of motor GWP between 2011 and 2014.

Table 216: Gross Written Premiums in the motor sector in Spain (million EUR)

	2011	2012	2013	2014
Total Premium	11,270	10,607	10,021	9,882
Third-party liability	N/A	5,485	5,178	5,030
Other guarantees	N/A	5,122	4,844	4,852

Source: Mapfre, 2014, The Spanish Insurance Market.

Table 217: Progress of average premium of Motor Insurance in Spain

Year	Insured vehicles		Direct insurance premiums			Average premium variation %	
	Million EUR	Var %	Million EUR	Var %	EUR	Nominal	Actual
2011	28.9	0.7%	11,285	-2.3%	390	-3.0%	-6.1%

<sup>839</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>

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Year	Insured vehicles		Direct insurance premiums			Average premium variation %	
	Million EUR	Var %	Million EUR	Var %	EUR	Nominal	Actual
2012	28.7	-0.7%	10,622	-5.9%	370	-5.3%	-7.5%
2013	28.6	-0.4%	10,033	-5.5%	351	-5.1%	-5.1%
2014	28.8	0.7%	9,884	-1.5%	343	-2.2%	-1.2%

Source: Mapfre, 2014, The Spanish Insurance Market.

### Overview of data on claims

Between 2011 and 2014, the motor claims expenditure increased year-on-year.

The table below displays the evolution of motor insurance claims expenditure and claims paid. The Spanish motor insurance market saw an overall positive trend of the gross claims expenditure between 2011 and 2014. Expenditure decreased greatly between 2012 and 2013.

Table 218: Motor claims paid in Spain (million EUR)

	2011	2012	2013	2014
Motor claims expenditure	8,171	7,914	7,593	7,309
Of which claims paid	8,643	8,237	7,793	6,994

Source: Insurance Europe, 2016, European Insurance Industry Database

The following table presents the evolution of the claims ratio and the combined ratio between 2011 and 2014 and shows stable figures over the period.

Table 219 : Motor insurance claims ratio and combined ratio in Spain

	2011	2012	2013	2014
Gross claims ratio	77.2%	77.1%	77.2%	77.1%
Net claims ratio	78.5%	78.3%	78.1%	77.6%
Net combined ratio	96.7%	97.3%	98.4%	97.9%

Source: Mapfre, 2014, The Spanish Insurance Market.

No significant increase was observed in the frequency of claims per policy insurance type, **and some even experienced drops, like "own damage" (-3.27%)**, associated with the increase of numbers of insurance policies with excess. The claims with the highest average claims cost continue to be third-party liability for body injury, with a value of 4,750 EUR

although, with the exception of the revoked driver's license guarantee, these decreased most in percentage compared with 2013 (-3.6 %) <sup>840</sup>.

Table 220 : Average frequencies of claims and costs by coverage class in Spain

Type of insurance policy	Frequency (%)			Average cost of claims		
	2013	2014	% Diff.	2013	2014	% Diff.
Third-party liability	8.5%	8.4%	-0.11%	1,888	1,867	-1.1%
- Body injury	2.0%	2.0%	0.01%	4,928	4,750	-3.6%
- Material	7.2%	7.3%	0.08%	887	871	-1.9%
Own damage	39.6%	36.3%	-3.27%	731	728	-0.4%
Broken Windows	6.7%	6.6%	-0.14%	290	290	0.0%
Theft	1.2%	1.0%	16%	896	882	-1.6%
Legal defence	1.8%	1.8%	-0.01%	310	302	-2.4%
Occupants	0.3%	0.3%	0.01%	1,252	1,241	-0.9%
Fire	0.06%	0.05%	-0.01%	2,854	2,794	-2.1%
Revocation of driving license	0.04%	0.03%	-0.01%	1,314	1,210	-7.9

Source: UNESPA, 2015, Memoria Social.

#### 8.1.4. Car rental insurance

##### *Overview of the selected products*

In Spain, there are two popular types of car rentals:

- Traditional car rental – in which consumers rent a car from a car rental company such as AutoEurope, EasyCar etc.
- Car rental from individuals – in which consumer rent a car from car owners through an online platform such as SocialCar.

For both type of car rentals, third party liability insurance is always included in the rental price, as law requires that all vehicles circulating in Spain - whether owned or leased- must be covered at least by third-party liability insurance<sup>841</sup>. The price of the third-party liability insurance coverage is not separated from the rental price, but information on limitations of the third-party liability insurance is normally explained. For example, in AutoEurope website<sup>842</sup>, it is stated that **"the rent includes limitation of third**

<sup>840</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>

<sup>841</sup> AutoEurope, Car rental search. Available at: <http://www.autoeurope.eu/car.cfm>

<sup>842</sup> HappyCar.es. Available at: [https://www.happy-car.es/alquiler\\_estacion/7ccb8648149d74c06545ee208797bd73/157306573854583379?conversionType=BestComfort](https://www.happy-car.es/alquiler_estacion/7ccb8648149d74c06545ee208797bd73/157306573854583379?conversionType=BestComfort)

party liability insurance in case of damages and insurance against theft with obligation to pay an excess **of approximately EUR 1,000.**"

Additional waivers can be purchased when consumers hire a car, such as Collision Damage Waiver (CDW) which is a partial collision coverage or Loss Damage Waiver (LDW), which offers full coverage.

Damage excess refund insurance, is another insurance policy offered by car hire companies that covers the excess insurance cost in case of any damage caused during the rental period. With each rental, suppliers will require a deposit to meet the value of excess insurance. If the vehicle is damaged during the rental period, suppliers will use the deposit to pay for the excess insurance cost.<sup>843</sup>

This insurance will reimburse consumers from the charges that car rental companies have charged them with after a car accident or any other damages of the rented car. Damages covered by damage excess refund insurance include:

- Damage on the outside of the vehicle or mechanical components. This section covers the car body and low ceilings as well as items such as windshields, windows, and mirrors. The insurance company will also reimburse costs for damages to wheels, tires, hubcaps, motor, clutch or battery.
- Costs arising from the immobilisation of the vehicle for the period of time during which it is being repaired and therefore cannot be rented.
- Costs of using roadside assistance as a result of an accident or breakdown.
- Expenses for lost keys.
- The amount that the rental company collects as a result of the claim against theft protection.

Except in the damage excess refund insurance, other insurance policies (M3PL, CDW and LDW) include an excess whose amount varies depending on the type of risk that can be insured up to 2,000 EUR in the case of theft or 1,200 EUR for body damage. The amount of the excess will depend on what each car hire company establishes and may be different from one to another. With this clause, in case of accident, car rental companies will charge consumers the corresponding amount of excess. To prevent consumers from assuming this expense, some rental companies offer the ability to purchase extra insurance reimbursing the amount of the excess.

#### *Overview of the national market*

No data specific to car rental insurance in Spain were available.

#### *Overview of premiums*

No data on premiums specific to car rental insurance in Spain were available.

#### *Overview of data on claims*

No data on claims specific to car rental insurance in Spain were available.

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<sup>843</sup>Rastreator, 2016, ¿Qué es el seguro de Franquicia en el coche de alquiler? Available at: <http://www.rastreator.com/alquiler-de-coches/articulos-destacados/seguro-de-franquicia-coche-alquiler.aspx>

## 8.1.5. Insurance products sold as an add-on to primary products

*Overview of the selected products*

Travel insurance companies allow consumers travelling for any reason, to be protected from risks related to their health, personal accident, third party liability, baggage, delays or cancellation loss or damage of documentation and replacements in case of business trips. Thus, depending on the type of trip, consumers can choose between temporary/standard yearly coverage travel insurance, trip cancellation, studying abroad, hiking, skiing and winter holidays, hunting and safari, golf and adventure sports<sup>844</sup>. These two insurance policies are also offered combined by some insurance companies<sup>845</sup>. Standard travel insurances normally cover for medical care inside and outside the country of habitual residence<sup>846</sup>. Medical coverage of travel insurance policies normally has a ceiling between 600 EUR and 200,000 EUR<sup>847</sup>. Other coverages of standard travel insurances are:

- Cancellation fees: 1,000 EUR in Europe and 1,500 EUR for the rest of the world.
- Loss of luggage up to 1,000 EUR
- Accommodation costs: 100 EUR per day with a maximum of 10 days.

To take other examples, AXA Spain has two insurance services dedicated to travel: AXA Travel (annual) and Compact Travel (temporary). Both include the repatriation of wounded and sick, contemplate the possibility of prolongation of stay in hotels and cover the loss and theft of luggage. For skiing holidays, there is a special AXA Ski model that covers the equipment, the reimbursement of unrealized classes and the reimbursement of the unused ski pass. There are discounts on hiring travel Assistance for large families<sup>848</sup>.

ERV Spain, an insurance agency specializing in travel, has three contract models: ERV select, ERV travel and ERV travel start<sup>849</sup>. The Select rate covers expenses derived from any type of accident or illness that occurs during the trip. Likewise, this model contemplates the expenses of repatriation of the wounded - or deceased - as well as the minor companions that were in the trip where the incidence takes place. Travel Star- designed for the assistance of vehicles- puts at the customer's disposal a multi-use policy for travel around the world with a maximum duration of 34 days. The Travel modality covers up to 300 EUR for the loss of luggage and the first 600 EUR for medical, surgical and hospitalization expenses in Spain. Abroad coverage increases to 3,000 EUR.

In Spain, some insurance companies such as Mapfre offer home assistance insurance products (Reformas y Reparaciones Hogar). The coverage of this type of insurance provides different types of repairs/services:

- **24 hours' urgency services including: locksmithing, plumbing, electricity, glass wear etc.** These services are provided in less than 3 hours.
- Repairs and installations: plumbing, masonry work and locksmithing.
- Maintenance: preventive and corrective maintenance services.

<sup>844</sup>Mapfre, 2016, Seguros de viaje. Available at: <https://www.mapfre.es/seguros/particulares/viajes-ocio/seguros-viaje/>

<sup>845</sup>Rastreator, 2016, Los gastos medicos en el seguro de viaje. Available at: <http://www.rastreator.com/seguros-de-viaje/articulos-destacados/gastos-medicos-seguro-viaje.aspx>

<sup>846</sup>Mapfre, 2016, Seguros de viaje. Available at: <https://www.mapfre.es/seguros/particulares/viajes-ocio/seguros-viaje/temporal/>

<sup>847</sup>Rastreator, 2016, Los gastos medicos en el seguro de viaje. Available at: <http://www.rastreator.com/seguros-de-viaje/articulos-destacados/gastos-medicos-seguro-viaje.aspx>

<sup>848</sup>El Pais, 2015, Comparativa: los seis seguros de viaje más recomendables. Available at: [http://elpais.com/elpais/2015/06/01/paco\\_nadal/1433138619\\_143313.html](http://elpais.com/elpais/2015/06/01/paco_nadal/1433138619_143313.html)

<sup>849</sup><http://www.erv.es/>



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In Spain, all new products have a legal warranty of two years<sup>850</sup>, therefore consumers only purchase additional guarantees for very costly and fragile products<sup>851</sup>. The price of any additional extended warranty (after the two years) depends on the quality and price of the product, as well as the duration and the additional warranty coverage. However, usually sellers charge around 15% of the price of the good.

### *Overview of the national market*

No data specific to add-on insurance in Spain were available.

### *Overview of premiums*

No data specific to add-on insurance in Spain were available.

### *Overview of data on claims*

No data specific to add-on insurance in Spain were available.

### 8.1.6. Sales practices and distribution channels

The table below illustrates the distribution of contracts per channel for non-life insurance in 2013 and 2014. According to the table the main distribution channels are agents and brokers. In the last years, distribution through intermediaries has been increasing, particularly for motor and household insurance.

Table 221 : Distribution in % of contracts per channel in non-life in Spain

Insurance	Contracts portfolio %		Of which new production / clients %	
	2013	2014	2013	2014
Tied agent (agente exclusivo)	38.19	37.24	27.07	34.64
Multi-tied agents ( <i>agente vinculado</i> )	2.39	2.31	3.47	3.90
Tied operators bancassurance	3.40	3.80	4.28	4.66
Multi-tied operators bancassurance	10.00	9.96	11.32	11.23
Brokers	19.69	19.37	34.32	23.02
Direct (offices of the entity)	17.14	17.84	7.48	11.34

<sup>850</sup>Ley 23/2003, de 10 de julio, de Garantías en la Venta de Bienes de Consumo. Available at: <https://www.boe.es/buscar/doc.php?id=BOE-A-2003-13863>

<sup>851</sup>Atencion al Consumidor, 2015, Garantías extendidas: ¿merece la pena contratarlas? Available at: <http://atencionalconsumidor.com/?p=11966>

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Insurance	Contracts portfolio %		Of which new production / clients %	
	2013	2014	2013	2014
Online	2.55	2.85	6.27	3.30
Other channels	6.25	5.96	5.39	6.05

Source: Dirección General de Seguros y Fondos de Pensiones, 2015, Informes Seguros y Fondos de Pensiones.

In 2014, 37.24% of insurance contracts were sold by tied agents. Other important distribution channels are brokers (19.37%) and direct sales by personnel in insurance offices (17.84%). New insurance consumers in 2014 also use the before-mentioned distribution channels: 34.64% purchase insurance products through tied agents, 23.02% through brokers and 11.34% directly in the insurance offices.

The table below shows the distribution of premiums and contracts per product in non-life insurance in 2014.

Table 222 : Distribution of premiums and contracts in non-life insurance per product in Spain (2014)

DISTRIBUCIÓN POR CANALES DEL VOLUMEN TOTAL DE NEGOCIO. DESGLOSE POR RAMOS NO VIDA 2014

POR CANALES	Agentes exclusivos		Agentes vinculados		OBS-exclusivos		OBS-vinculados		Corredores		Oficinas de la Entidad		Portal de Internet		Otros Canales	
	Pólizas %	Primas %	Pólizas %	Primas %	Pólizas %	Primas %	Pólizas %	Primas %	Pólizas %	Primas %	Pólizas %	Primas %	Pólizas %	Primas %	Pólizas %	Primas %
ACCIDENTES	9,68	2,44	9,04	2,58	16,91	9,18	6,04	3,94	7,04	3,05	8,80	1,31	0,05	0,02	1,74	0,96
ENFERMEDAD	2,45	2,84	0,35	1,19	1,76	1,69	4,96	1,30	0,91	3,03	2,80	2,60	0,35	0,33	1,27	1,77
ASISTENCIA SANITARIA	3,25	11,67	3,55	7,34	10,47	21,24	2,85	8,38	4,12	13,02	23,82	46,91	2,01	5,99	1,93	6,21
DEPENDENCIA	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,04	0,02	0,00	0,00	0,03	0,01
TRANSPORTES	0,43	0,80	0,19	0,44	0,05	0,05	0,05	0,12	0,73	3,92	0,10	1,68	0,00	0,00	1,97	0,43
INCENDIOS Y ELEMENTOS NATURALES	0,10	0,05	0,02	0,01	0,03	0,03	1,02	0,57	0,08	0,08	0,08	0,16	0,00	0,00	0,00	0,01
O.D.: ROBO U OTROS	0,33	0,42	0,08	0,05	1,31	0,96	1,49	0,43	0,54	1,75	0,12	2,51	0,09	0,02	0,23	0,30
O.D.: SEGUROS AGRARIOS	0,13	0,73	0,20	1,55	0,01	0,01	1,42	8,83	0,18	0,73	0,01	0,08	0,00	0,00	0,5	2,87
RESTO OTROS DAÑOS	0,03	0,06	0,02	0,05	0,00	0,03	0,25	0,25	0,09	0,68	0,01	0,00	0,00	0,00	0,00	0,00
AUTOS	29,46	34,18	50,15	60,62	15,43	20,84	11,04	14,44	42,90	35,26	17,97	19,45	60,65	80,05	65,42	63,99
R.C.: OTROS RIESGOS	2,44	2,49	0,97	1,55	0,97	0,97	2,43	1,40	2,85	5,92	0,90	1,44	0,03	2,08	1,48	4,71
R.C.: RIESGOS NUCLEARES	0,00	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,04	0,01	0,11	0,00	0,00	0,00	0,01
CRÉDITO	0,05	2,66	0,00	0,13	0,00	0,00	0,01	0,22	0,04	3,63	0,00	1,05	0,00	0,00	0,02	2,41
CAUCIÓN	0,07	0,05	0,00	0,00	0,26	0,43	0,01	0,01	0,35	0,31	0,20	0,14	0,00	0,00	0,06	0,03
PÉRDIDAS PECUNIARIAS	1,14	0,19	4,61	2,17	7,29	1,86	7,70	2,06	5,18	1,45	1,42	0,47	0,07	0,03	2,91	0,39
DEFENSA JURÍDICA	1,53	0,10	12,22	2,96	0,19	0,23	0,49	0,20	0,51	0,15	0,48	0,29	0,10	0,06	1,96	0,23
ASISTENCIA	6,39	1,46	5,62	5,29	0,69	0,11	0,13	0,05	16,12	2,17	26,16	6,08	33,60	9,34	0,40	0,43
DECESOS	17,15	14,41	1,36	1,65	5,09	8,20	4,20	2,23	1,06	0,55	10,43	5,92	0,15	0,09	4,80	4,03
MULTIRRIESGO HOGAR	21,31	15,12	9,99	7,53	37,20	29,90	53,12	50,08	13,18	7,13	5,90	2,90	2,87	1,97	14,44	8,07
MULTIRRIESGO COMERCIO	1,80	2,66	0,74	1,29	1,89	2,51	1,87	2,48	1,69	1,97	0,35	0,33	0,00	0,01	0,33	0,48
MULTIRRIESGO COMUNIDADES	1,31	4,51	0,42	1,70	0,13	0,37	0,24	0,79	1,20	3,46	0,25	0,66	0,00	0,00	0,25	1,11
MULTIRRIESGOS INDUSTRIALES	0,78	3,01	0,37	1,72	0,30	1,37	0,67	2,10	1,09	11,46	0,09	5,79	0,00	0,00	0,15	1,41
OTROS MULTIRRIESGOS	0,17	0,14	0,09	0,16	0,02	0,02	0,02	0,12	0,15	0,23	0,05	0,09	0,03	0,01	0,05	0,14

Source: Dirección General de Seguros y Fondos de Pensiones, 2015, Informes Seguros y Fondos de Pensiones.

Translation: Agentes exclusivos = exclusive agent ; agentes vinculados = tied agents ; OBS exclusivos = exclusive bancassurance ; OBS vinculados = tied bancassurance ; corredores = brokers ; oficinas de la entidad = company office ; portal de internet = online sales ; otros canales = other channels.

Accidentes = accidents ; enfermedad = sickness ; asistencia sanitaria = healthcare ; dependencia = dependence ; transportes = transports ; incendios y elementos naturales = fire and natural elements ; OD Robo u otro = other damage theft or other ; OD seguros agrarios = other damage agricultural insurance ; resto otro dano = other damage ; autos = motor ; RC otros riesgos = civil liability other risks ; RC riesgos nucleares = civil liability nuclear risk ; credito = credit ; caucion = guarantee ; perdidas pecunarias = pecuniary losses ; defensa juridica = legal defense ; asistencia = assistance ; decesos = death ; multirriesgo hogar = multi-risk household ; multirriesgo comercio = multi-risk trade ; multirriesgo comunidades = multi-risk communities ; multirriesgo industriales = multi-risk industrial ; otro multirriesgos = other multi-risk.

The table above shows the distribution channels used in the different non-life insurance sectors when renewing insurance policies. It also illustrates the percentage of premiums sold per distribution channel. In the case of multi-risk house insurance products, 53.12% of the policies were sold by bank personnel.

In Spain, for non-life insurance in general, the main distribution channels are agents and brokers, as shown in the table below.

Table 223: Share of agent and broker non-life insurance sales in Spain (2013 and 2014)

Insurance	Portfolio %		Of which new production / clients %	
	2013	2014	2013	2014
Agents + Brokers	58.15	58.05	62.44	61.31
Bancassurance	10.47	10.87	13.52	14.24

Source: Dirección General de Seguros y Fondos de Pensiones 2015,2014,2013,2012 &2011, Informes Seguros y Fondos de Pensiones.

No data are available as regards the role of comparison websites, yet most interviewees reported that this is limited and that consumers in Spain only use those websites to compare prices, as price is the main determinant of consumer choices.

In terms of discriminatory practices related to age and sickness, young drivers (between 18 and 25) pay an average premium of 1,298 EUR for their motor insurance, 101.5% more than drivers aged 26-35 who pay an average premium of 634 EUR, and 145% more than drivers between 36 and 50 years old, who pay an average of 522 EUR for their motor insurance policy<sup>852</sup>.

To rent a car in Spain, the driver must be at least 21 years old and have held the driving license for at least one year. Drivers under the age of 25 may incur a young driver surcharge<sup>853</sup>.

Some Spanish insurers discriminate against people with disabilities and difficult illnesses. According to Fit2trip study, main Spanish travel insurance companies (Mapfre, Europ Assistance, Allianz, Zurich, FIATC, RACE and Axa) exclude claims for medical emergency and cancellation associated with consumers with pre-existing medical condition<sup>854</sup>. This means that travellers who have a disability or chronic illness and purchase these policies are exposed to the risk that, if they suffer a medical emergency before departure or during the trip, the insurance company rejects their claims.

#### 8.1.7. Key features of cross-border transactions

##### *Cross-border sales*

Reportedly, at the end of 2014, there were 57 Spanish entities operating via freedom to provide services (FPS), the United Kingdom being the country in which the most Spanish

<sup>852</sup>ABC, 2014, El desangre económico de ser conductor y joven. Available at: <http://www.abc.es/economia/20140827/abci-jovenes-pagan-seguro-coche-201408261303.html>

<sup>853</sup>Auto Europe, Driving in Spain – Car rental information. Available at: <http://www.autoeurope.com/go/driving-information/spain/>

<sup>854</sup>Fit2Trip, 2016, Las aseguradoras españolas discriminan a las personas con discapacidad y problemas médicos. Available at: <http://fit2trip.blogspot.be/2015/04/las-aseguradoras-espanolas-discriminan.html>

entities operated under FPS, followed by Portugal, France and Germany<sup>855</sup>. In non-life insurance, the premium volume business in Spain by companies from the EEE mainly operating under FPS is significant, particularly in some countries like Sweden (with a business volume of 499 billion EUR) and Norway (with a business volume of 327 billion EUR).

In 2015, the Spanish national authority reported that in 2014, in accordance with Directive on distribution of insurance products and after-sale activities, 365 notifications of insurance or reinsurance intermediaries intending to carry out business for the first time in Spain under FPS were received (against 12 to operate under freedom of establishment)<sup>856</sup>. However, the European supervisory authorities notified the withdrawal of notifications of 117 mediators operating under freedom to provide services and 3 operating in the freedom of establishment.

Moreover, 27 applications from insurance intermediaries presented 164 communications to operate in other states of the EEA European Economic Area via FPS against 1 for freedom of establishment. These intermediaries were included in the administrative Register of insurance intermediaries, reinsurance brokers and their senior officials of the Spanish national authority. A breakdown of the notifications in 2014 is provided in the table below, according to different actors.

Table 224: Notifications made to other Member States in 2014

Category of mediator	Total on 31/12/13 (includes freedom of establishment)	FPS (accepted)	FPS (drops)	Total on 31/12/14 (includes freedom of establishment)
Tied agent ( <i>agente exclusivo</i> )	82	32	31	83
Multi-tied agents ( <i>agente vinculado</i> )	35	20	0	55
Reinsurance brokers	112	8	0	120
Insurance brokers	571	103	0	675
Tied operators bancassurance	4	0	0	4
Multi-tied operators bancassurance	22	1	0	23
Total	826	164	31	960

Source: Dirección General de Seguros y Fondos de Pensiones, 2014, Informes Seguros y Fondos de Pensiones.

<sup>855</sup> Mapfre, 2014, The Spanish Insurance Market. Available at: <http://www.mapfreglobalrisks.com/portal/global-risks/docs/MercadoEspañol2014-en.pdf>

<sup>856</sup> Ministerio de Economía y Competitividad, 2014, Seguros y Fondos de pensiones. Available at: <http://www.dgsfp.mineco.es/sector/documentos/Informe%20anual%20Servicio%20de%20Reclamaciones%202014.pdf>

According to the response of the Spanish insurance association to the Green paper on retail financial services consultation<sup>857</sup>, regarding insurance, there is no strong evidence of latent unmet demand for cross-border products, regardless of the specific product taken into account (e.g. car insurance, life insurance, private health insurance).

Insurance groups from other EU countries have been operating in the Spanish market since the beginning of the 21<sup>st</sup> century. In the past 7 years, the number of EU Insurance branches in Spain increased from 58 to 69. These EU branches operating via freedom of establishment (FOE) earned almost 3 billion EUR in 2013. As regards FPS, there are 640 EU insurance companies authorised to operate in the Spanish market, earning around 2.5 billion EUR.<sup>858</sup> In 2015, there are 666 foreign insurance companies (excluding reinsurance companies) offering non-life products in Spain. 609 of foreign insurance companies offer their products through freedom to operate provide services (FPS) and 57 foreign companies have offices in Spain under the freedom of establishment (FOE)<sup>859</sup>.

No data were found as regards the main distribution channels used to sell the cross-border products. However, it was reported by interviewees that consumers appear to prefer local providers of financial services as they prefer a face-to-face service.

According to data from Banco de España reported by the Fundación MAPFRE, in 2014 the revenues for services associated with insurance and pensions grew by 2.3 percentage points, reaching 1.6 billion EUR. In 2014, there were five Spanish groups with direct investments abroad in the insurance industry, namely BBVA, Catalana Occidente, CESCE, MAPFRE and Santander.

The table below shows the cross-border activity of Spanish entities via FPS in 2014 in the non-life insurance sector. Italy and Portugal are the two favourite markets for the establishment of Spanish insurers under FPS in 2014

Table 225: Cross-border activity of Spanish entities under FPS in 2014 – Non-life

Country	Premium (Thousand EUR)
Germany	128,268
Austria	1,167,619
Belgium	4,327,738
Bulgaria	449,949
Cyprus	93,573
Denmark	654,132
Slovakia	0
Slovenia	0
Estonia	0
Finland	374,999

<sup>857</sup>Cf Responses from UNESPA to the consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)

<sup>858</sup>Ministerio de Economía y Competitividad, 2014, Seguros y Fondos de pensiones. Available at: <http://www.dgsfp.mineco.es/sector/documentos/Informe%20anual%20Servicio%20de%20Reclamaciones%202014.pdf>

<sup>859</sup>Dirrección General de Seguros y Fondos de Pensiones, 2016, Aseguradoras y Reaseguradoras. Available at: <http://www.dgsfp.mineco.es/sector/EntidadesAseguradoras.asp>

Country fiches

Country	Premium (Thousand EUR)
France	1,167,444
Greece	3,714,282
Hungary	434,969
Ireland	625,868
Iceland	154,469
Italy	36,634,568
Latvia	0
Liechtenstein	0
Lithuania	0
Luxembourg	-61,536
Malta	168,418
Norway	4,128,135
Netherlands	2,120,386
Poland	2,091,655
Portugal	19,261,016
United Kingdom	271,895
Czech Republic	442,366
Romania	1,174,219
Sweden	2,267,802
TOTAL	81,792,244

Source: Dirección General de Seguros y Fondos de Pensiones, 2015, Informes Seguros y Fondos de Pensiones.

The table below shows the cross-border activity of entities EEA under FPS in 2014 in Spain. Insurers in the UK and Ireland were the most present in Spain in 2014.

Table 226: Cross-border activity of entities EEA under FPS in 2014 in Spain – Non-life

Country	Premium (Thousand EUR)
Germany	20,378,855
Austria	0
Belgium	1,516,108
Bulgaria	0
Cyprus	0
Denmark	291,935
Slovakia	0
Slovenia	0
Estonia	0
Finland	36,000
France	77,833,000

## Country fiches

Country	Premium (Thousand EUR)
Greece	0
Hungary	31,886
Ireland	160,140,000
Iceland	0
Italy	2,665,000
Latvia	4,623,000
Liechtenstein	0
Lithuania	0
Luxembourg	17,514,222
Malta	25,042,038
Norway	1,460,508
Netherlands	16,761,000
Poland	0
Portugal	723,127
United Kingdom	498,312,821
Czech Republic	2,021
Romania	0
Sweden	4,207,380
<b>TOTAL</b>	<b>831,529,900</b>

Source: Dirección General de Seguros y Fondos de Pensiones, 2015, Informes Seguros y Fondos de Pensiones.

### *Main factors limiting cross-border insurance purchases*

While no specific studies were mentioned by the interviewees, the differences in terms of legislation across Member States was highlighted as one of the main obstacles to cross-border sales.

While UNESPA reported in its answer to the Green paper on retail financial services consultation that the internal market is already functioning as regards insurance, and that there are no signs of a latent demand (and that, of course, not all insurers decide to operate in various markets), ADICAE (Asociaciones de Consumidores del Instituto Nacional de Consumo de España) reported the following issues limiting consumers in their cross-border purchases:

- Language;
- Territorial restrictions (e.g. geo-blocking, residence requirement);
- Differences in national legislation;
- Lack of knowledge of the offer of products in another Member State; and
- Lack of knowledge of redress procedures in another Member State.

### *Interventions to increase cross-border demand*

As reported in the answers to the Green paper on retail financial services consultation, the most appropriate channel to raise consumer awareness on the different retail financial services and insurance products available throughout the EU would include:

- running independent pan-European comparison websites, including the information on cross-border products;
- Information campaigns by regulators;
- Information campaigns by consumer organisations;
- Financial intermediaries empowered to offer cross-border financial products.

According to UNESPA interviewees, financial service providers and intermediaries are best placed to advertise the retail products that they can offer cross-border, and are also in a position to target the most appropriate population. Interviewees believe that information campaigns should not be led by regulators. It was noted that the expansion of cross-border insurance within the EU should remain a market-driven evolution, based on existing demand.

## 8.2. Consumer decision-making in the non-life insurance market- evidence from Spain

### 8.2.1. Consumer understanding

According to a UNESPA interviewee, Spanish consumers find information on insurance products online (either through comparison websites and / or consumer reviews), yet most purchases are made through agents (around 35%) and / or brokers (around 23%). Only a minor share of insurance products appears to have been bought online (between 2.38% and 2.55% in 2013-2014).

For the ADECOSE interviewee, Spanish consumers appear to be mainly interested in prices, rather than in finding the most suitable insurance product. This also explains why most consumers do not seem to fully understand the conditions of the contracts they sign, which is at the origin of most problems encountered when consumers claim a refund.

According to an OCU interviewee, consumers neglect some important information, such as the extent of the coverage of the insurance contract. For instance, conditions for reimbursements after a flight cancellation are often unknown when the consumer signs the contract.

### 8.2.2. Type of problems

According to a UNESPA interviewee, information aimed at consumers was reported to be not easily accessible. This, combined with low financial services literacy, are the biggest sources of problems for consumers.

Effects of low incomes on purchasing behaviour in the sector seem to exist, as most consumers appear to buy products only based on the most advantageous price. Yet, no additional evidence was found to substantiate this claim.

### 8.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

Pursuant to ordinance ECC/2502/2012,<sup>860</sup> the National Authority (DG Seguros/ DGSFP) – under the Claims Service - deals with consumer complaints and any enquiry related to the insurance sector submitted by users of financial services. These are related to their interests and legally recognised rights, arising from alleged breaches by entities, of the rules of transparency and customer protection or good financial practices and customs.

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<sup>860</sup> Orden ECC/2502/2012. Available at: <http://www.boe.es/boe/dias/2012/11/22/pdfs/BOE-A-2012-14363.pdf>



## Country fiches

The procedures developed before the Complaint Service are extrajudicial procedures for **protection of consumers' rights, which are offered free of charge.**

In order to file a complaint to the DGSFP it is necessary to prove that the consumer has filed the complaint before the Customer Care Service or Defensor del Cliente, or if applicable, the company ombudsman, and that the company has denied the complaint filed or two months have passed since its presentation without having received an answer from the entity.

The annual report of the Complaint Service of the national authority shows the following insurance (both life and non-life) complaints and consultation data for 2012, 2013 and 2014. There is a negative variation in consultation numbers between 2013 and 2014, as most consumers directly filed a complaint rather than using the consultation services first.

Table 227: All insurance complaints and consultations

	2011	2012	2013	2014	Variation (2013/2014)
Insurance complaints	5,977	6,588	7,674	7,339	-4.52%
Consultations	345	409	371	165	-63.79%

Source: Spanish national authority, 2012, 2013 and 2014, Complaints Service reports.

5,378 of the presented complaints and 99 of consultations on insurance were solved / answered in 2014. The table below displays the percentage of complaints solved in the general civil liability insurance sector, which includes motor liability insurance, house liability insurance and any other accident coverage.

Table 228: Complaints resolved in general civil liability insurance sector in 2014

Complaint subject	Percentage of complaints solved
Discrepancies in the application and interpretation of the policy	43.81%
Exercise of direct action prejudiced against the insurer of liability	21.78%
Regulation issues of this insurance product	8.42%

Source: Spanish national authority, 2014, Claims Service report.

In the field of general civil liability<sup>861</sup>, 43.81% of cases related to discrepancies in the application and interpretation of the policy were solved, and the cause of the complaint turned out to be, most of the time, a lack of clarity in the policy wording. 21.78% of the cases relating to the exercise of direct action prejudiced against the insurer of liability, and 8.42% related to specific issues of regulation of the insurance product (especially the delimitation of temporary coverage) were also solved.

<sup>861</sup> Includes motor insurance liability, house liability insurance any other accident coverage. Different policy coverages are included in this field.

In the field of assistance<sup>862</sup>, the most frequent complaints referred to discrepancies encountered in the application and interpretation of the policy. This is particularly true for travel assistance, as generally only one extract of the general conditions of the contract is presented to the policyholder, which creates discrepancies in the application of those conditions when the incident occurs. A number of complaints (29 in 2014) also referred to the lack of assistance received by insurance intermediaries when the incident occurs.

In Spain, to avoid taking claims of the insured to the courts and to reduce as much as possible the litigiousness in the processing of claims, the insurance industry has promoted the use of mechanisms or of institutions that may lead to the out-of-court resolution of disputes or disagreements arising between the insured and insurance companies, but protecting the rights and interests of the insured. These mechanisms are<sup>863</sup>:

1. Reasoned offer of compensation and reasoned reply. The system of reasoned offer of compensation and reasoned reply was firstly implemented by Directive 2000/26/EEC, of 16 May (Fourth Directive) only for the cases contemplated therein (visiting victims), subsequently including all victims of road accidents, through the Fifth Motor Insurance Directive<sup>864</sup>. In both cases, the aim is to protect victims in road accidents, by implementing mechanisms for insurance companies and the Consorcio de Compensación de Seguros (CCS) to quickly assist injured parties, showing at all times diligent behaviour in relation to the quantification of damages and settlement of the compensation.

2. Out-of-court expert proceedings of Article 38 Insurance Contract Act. Article 38 of Law 50/1980, of 8 October, on Insurance Contracts, regulates out-of-court expert proceedings, applicable to the parties if there are disagreements between the insured and the insurer, as to the causes of the accident, the value of the damage and other circumstances that affect the determination of the compensation, depending on the nature of the insurance policy involved and the proposed net amount of compensation. Experts are appointed for both parties to ascertain and determine the factual circumstances of the accident, i.e. related to points of fact, leaving aside from their intervention the legal assessment of the facts and the legal disputes that may have arisen. If there is no agreement between the experts, both parties must appoint a third expert. If the parties cannot agree on the appointment of the third expert, then the appointment will be made by the Court of First Instance by means of a voluntary jurisdiction procedure.

3. Insurance sector agreements. In the relations between insurance companies there are currently several sector mechanisms to resolve disputes out-of-court by signing agreements between companies. Most of the out-of-court solutions occur in car insurance, as the Consorcio de Compensación de Seguros covers vehicles that insurance companies are not willing to cover. Direct Compensation Agreements are the most widely known, allowing for millions of claims being resolved through this channel per year. These agreements include the CICOS (computer centre for claim compensation) and SDM (property damage claims) systems or Mixed Units Agreements in the field of personal injury and Health Assistance, and Emergency Agreements signed by UNESPA (The Spanish Association of Insurance and Reinsurance Institutions), the Consorcio de Compensación de Seguros (CCS) and health services, federations of hospitals and emergency services

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<sup>862</sup> Includes motor, house, travel and other assistance insurance policies.

<sup>863</sup> Consor Seguros Revista Digital, 2014, Out-of-Court dispute resolution mechanisms in the insurance sector available at: <http://www.consorsegurosdigital.com/en/numero-01/content/contributions/out-of-court-dispute-resolution-mechanisms-in-the-insurance-sector>

<sup>864</sup> Directive 2005/14/EC, of 11 May, amending Council Directives 72/166/EEC, 84/5/EEC, 88/357/EEC and 90/232/EEC and Directive 2000/26/EC of the European Parliament and of the Council relating to civil liability insurance in respect of the use of motor vehicles

4. Customer Services. Pursuant to article 63 of the Law on the organisation and supervision of private insurance (7), insurance companies must resolve complaints and claims from their customers through a customer service.

5. The Claims Service of the Directorate General of Insurance and Pension Funds. Among the functions of the Directorate General of Insurance and Pension Funds (DGSFP) there is the function of administrative protection for insured people, beneficiaries, affected third parties and members of pension schemes, through receipt and resolution of claims and complaints raised against insurance companies<sup>865</sup>.

6. Arbitration. The current Law that regulates this is Act 60/2003, of 23 December, on Arbitration, which structures this system as a means to resolve disputes out-of-court, with the particular characteristic that the decisions of the arbitrator to resolve disputes are binding, so the parties must fulfil them. On the other hand, the provisions of the Insurance Contract Act<sup>866</sup> indicate as follows: "The insured is entitled to submit to arbitration any disagreement that may occur between him/her and insurer on insurance contracts. Arbitrators may not be **appointed before the disputed matter arises**". Likewise, also Royal Legislative Decree 6/2004, of 29 October, approving the Revised Text of the Law of Organisation and Supervision of Private Insurance, sets forth in article 61 that policyholders, insureds, beneficiaries, affected third parties or rightful claimants of any of the aforesaid, may submit the disputes with the insurance companies to arbitration.

7. Mediation in civil and commercial matters. The characteristics of the mediation process make the insurance industry have a new channel for the resolution of claims because, on the one hand, it is voluntary for the parties in dispute and, on the other hand, as the control of the legal matter may never be lost. In any event, the parties may abandon the process if thus decided by any of the parties involved. Mediation in mass matters: cars, multi-risk home insurance, condominiums, businesses must be sought to increase the out-of-court resolution of claims by promoting and concluding compensation agreements between companies. This solution should apply to car and multi-risk agreements. In property damage the current agreements should be improved, those of direct compensation (CICOS: computer centre for claim compensation) and the SDM (property damage claim) system, so the possibilities offered by these agreements may be used as much as possible to resolve disputes amicably without having to resort to other channels.

8. European Union: alternative resolution for consumer disputes. This Directive shall apply to procedures for the out-of-court resolution of domestic and cross-border disputes concerning contractual obligations stemming from sales contracts or service contracts (insurance contracts) through the intervention of an "alternative dispute resolution" (ADR) entity which proposes or imposes a solution or brings the parties together with the aim of facilitating an amicable solution. This Directive acknowledges the competence of Member States to determine whether ADR entities established on their territories are to have the power to impose a solution. In any case, it does not prevent the parties from exercising their right of access to the judicial system.

As regards to consumer complaints and consultations made to the legal advice service of the OCU – **Spain consumers and users association which promotes consumers' interests**

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<sup>865</sup> Real Decreto 672/2014, of 1 August, which modifies the basic organisational structure of ministerial departments. Available at: <http://www.boe.es/boe/dias/2014/08/02/pdfs/BOE-A-2014-8365.pdf>

<sup>866</sup> Article 76 e) of the Insurance Contract Act

**and defends consumers' rights, members of BEUC** - between 2012 and 2015, these are shown in the table below.

Table 229: Consumer consultations (including complaints, claims etc.) made to the legal advice service of the OCU – 2012-2015

Year	2012	2013	2014	2015
Non-life insurance	28,811	295,056	278,604	285,189
Total	15,201	15,204	14,738	13,911

Source: Data shared by OCU interviewee via email

No specific trends in terms of consumer complaints were reported by the interviewees.

The Spanish ECC reported that, since January 2007, the total number of complaints on insurance was 1,494. The problem of the database is that it does not allow ECC to extract detailed statistics, thus the number referring to non-life insurance could not be estimated.

#### *Overview of consumer complaints for household insurance*

The table below displays the number of complaints filed to the Complaint Service of the national supervisory authority for multi-risk household insurance between 2011 and 2014. It shows a steady increase in absolute terms, with a slight decrease in 2014. The share of multi-risk household complaints over the total number of insurance complaints received by DGSFP has decreased between 2011 and 2012 before increasing the following years.

Table 230 : Complaints received by DGSFP

	2011	2012	2013	2014
Total multi-risk complaints	1,914	1,944	2,560	2,552
Percentage of total complaints received	33.26%	30.74%	34.31%	35.82%

Source: DGSFP, 2011-2014, Annual reports of the Complaint Service.

The table below presents the number of complaints related to household insurance which were solved in 2014. In total, 1,711 complaints related to household insurance were solved, which corresponds to 31.81% of all insurance complaints solved that year. The most common subject of complaints solved related to discrepancies in the implementation and interpretation of the policy.

Table 231 : Multi-risk household complaints solved in 2014

Subject of complaint	Number of complaints solved	Percentage solved
Discrepancies in the implementation and interpretation of the policy	943	55.11%
Specific questions on the regulation of theft insurance	270	16.25%

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Subject of complaint	Number of complaints solved	Percentage solved
Estimation of the claim, role of expert	188	10.99%
Non-payment of compensation; payment of the minimum amount	83	4.85%
Duration of the contract, opposition to contract extension	51	2.98%
Modification of the contract	33	1.93%
Under-insurance and over-insurance	28	1.64%
Pre-contractual phase (application and proposal)	23	1.34%
Non-payment of premium	20	1.17%
Other issues	64	3.74%
Total	1,711	31.81%

Source: DGSFP, 2014, Annual report of the Complaint Service.

According to the European Commission 2016 Consumer Market Scoreboard<sup>867</sup> and as illustrated in Table 10 of Annex I, 15.6% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 6.5 on a 0-10 range. 88.4% of the respondents having experienced at least one problem complained, including 82.3% to their retailer/provider and 15.3% to third-party complaint bodies. Thus, the share of Spanish consumers having experienced problems is twice higher than the EU 28 average but their level of detriment is close to the EU 28 average. The share of Spanish respondents who complained after experiencing a problem is above the EU 28 average, with one third more complaints to retailers/producers, and a bit more complaints to third-party complaint bodies compared to the EU 28 average.

### *Overview of consumer complaints for motor insurance*

The table below displays the number of complaints filed to the Complaint Service of the national supervisory authority for motor insurance between 2011 and 2014. It shows a sizeable increase by 130 in the year 2013 and remained on this level also in 2014. The sharp increase in 2013 was due to flooding throughout the national territory, prominently in Catalonia (17 June) and Navarra (15 January and 9 June) that damaged a large number of cars parked in the streets. The share of motor insurance complaints over the total number of insurance complaints received by DGSFP varied between 10.48% and 11.44% during the 2011-2014 period.

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<sup>867</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

Table 232 : Complaints received by DGSFP

	2011	2012	2013	2014
Total motor complaints	658	663	793	789
Total complaints received (%)	11.44	10.48	10.63	11.08

Source: DGSFP, 2011-2014, Annual reports of the Complaint Service.

The table below presents the number of complaints related to motor insurance which were solved in 2014. In total, 700 complaints related to motor insurance were solved, which corresponds to 13.02% of all insurance complaints solved that year. The most common subject of complaints solved related to discrepancies in the implementation and interpretation of the policy, as well as issues related to the exercise of the right to opposition to the extension of the contract and the related valuation damage and theft coverage<sup>868</sup>.

Table 233 : Motor insurance complaints solved in 2014

Subject of complaint	Number of complaints solved	Percentage from the 700 motor insurance complaints solved (%)
Discrepancies in the implementation and interpretation of the policy	158	22.57
Duration of the contract, opposition to contract extension	114	16.29
Estimation of the claim, role of expert	95	13.57
Specific questions on the regulation of theft insurance	87	12.43
Non-payment of premium	80	11.43
Application and proposal	31	4.43
Direct action against the company	29	4.14
Non-payment of compensation; payment of the minimum amount	29	4.14
Modification of the contract	22	3.14
Other issues	55	7.86
Total	700	13.02

Source: DGSFP, 2014, Annual report of the Complaint Service.

<sup>868</sup>Ministry of Economy, 2014, Seguros y Fondos de pensiones. Available at: <http://www.dgsfp.mineco.es/sector/documentos/Informe%20anual%20Servicio%20de%20Reclamaciones%202014.pdf>

According to the European Commission 2016 Consumer Market Scoreboard<sup>869</sup> and as illustrated in Table 10 of Annex I, 5.9% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 7.4 on a 0-10 range. 82.3% of the respondents having experienced at least one problem complained, including 76.4% to their retailer/provider and 15% to third-party complaint bodies. Thus, the share of Spanish consumers having experienced problems and their level of detriment are above the EU 28 average. The share of Spanish respondents who complained after experiencing a problem is close to the EU 28 average, but with more complaints to retailers/producers and to third-party complaint bodies compared to the EU 28 average.

#### *Overview of consumer complaints for car rental insurance*

No data on complaints specific to car rental insurance in Spain were available.

#### *Overview of consumer complaints for add-on insurance*

In the field of assistance<sup>870</sup>, the most frequent complaints referred to discrepancies encountered in the application and interpretation of the policy. This is particularly true for travel assistance, as generally only an extract of the general conditions of the contract is presented to the policyholder, which creates discrepancies in the application of those conditions when the incident occurs<sup>871</sup>.

#### *Cross-border consumer complaints*

The Servicio de Reclamaciones de la Dirección General de Seguros y Fondos de Pensiones (DGSFP) receives and transmits complaints against entities supervised by DGSFP by consumers living in other countries. The reasons for these complaints are no different from those of Spanish residents and the number is low, about 10 complaints a year. The last figure available is 9 complaints for 2014<sup>872</sup>.

The service does not receive complaints related to insurance purchases made in another EU Member State as it is not in their remit. If the purchase was made in another country, the complaint must be filed against the ADR in that country. If they receive such a complaint, it is transmitted to the competent body in the country. In this context, the FIN-NET network launched by European Commission in 2001 has the objective to facilitate extra-judicial conflict resolution. FIN-NET is a financial dispute resolution network of national out-of-court complaint schemes in the European Economic Area countries (the European Union Member States plus Iceland, Liechtenstein and Norway) that are responsible for handling disputes between consumers and financial services providers, i.e. banks, insurance companies, investment firms and others.

No statistics were available regarding the share of complaints the Spanish ECC received related to insurance purchases made in another EU Member State, or purchases made in Spain by non-residents. However, the ECC interviewee estimated that most claims made

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<sup>869</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>870</sup> Includes motor, house, travel and other assistance insurance policies.

<sup>871</sup> DGSFP, 2011-2014, Annual reports of the Complaint Service. Available at: <http://www.dgsfp.mineco.es/reclamaciones/>

<sup>872</sup> DGSFP, 2011-2014, Annual reports of the Complaint Service. Available at: <http://www.dgsfp.mineco.es/reclamaciones/>

by non-residents in Spain were related to car rental insurance and that Spanish consumers have problems with car rental, travel insurance and flight bookings in general.

According to interviewees, claim assessments, destruction of damaged material, repair and, for house insurance, rebuilding and access to temporary replacement housing, all require a local presence or a good network of partners. The costs associated with a satisfactory customer service and complaint handling system can be too high to motivate entering a new market. UNESPA interviewees (Unión Española de Entidades Aseguradoras y Reaseguradoras) mentioned that it is therefore in the interest of consumers that insurers do not offer products in areas where they have not established the necessary facilities to properly respond to their needs. For instance, for motor insurance, insurers strive to have a strong network of third party service providers to assist in the event of car accident claims (e.g. local repairers, part and paint suppliers, credit and hire firms and local lawyers).

OCU does not appear to be receiving cross-border complaints other than what is provided in Spain under FPS or FOE.

#### 8.2.4. Access to information

Overall, most information available to consumers is provided either by the insurance companies or online. The most effective / popular sources for Spanish consumers to find information online are as follows:

- On the website of the national authority;
- On a dedicated portal called GASPAR, including a glossary<sup>873</sup>;
- **On the websites of the main consumers' associations, i.e. OCU, ADICAE;**
- On the website of the trade associations, i.e. UNESPA, ADECOSE.
- On search engines, scrolling through consumer reviews and opinions;
- On comparison websites.

In addition, some consumer associations publish information and guidelines on insurance products which are made available to their members (i.e. those that pay an annual fee to the association).

In general, information appears to be available to consumers, yet the lack of financial literacy, as well as the tendency of consumers to buy the cheapest products and not read the contracts in full represent the main obstacles to consumer understanding regarding non-life insurance products.

#### 8.2.5. Switching behaviour

No data was available on switching behaviour in Spain.

Spanish consumers are increasingly seeking lower bills. Industry sources state that in 2014 around 20% to 21% of policyholders (life and non-life products) changed insurance policy yearly, with an average tenure of 5 years while before 2008 the switching rate was at 16% to 17%<sup>874</sup>.

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<sup>873</sup>Dirección General de Seguros y Fondos de Pensiones, 2008, Technical Glossary. Available at: <http://www.dgsfp.mineco.es/Gaspar/NEOglosario.asp#T>

<sup>874</sup>20 minutos, 2014, ¿Ahorra dinero cambiar de seguro cada año? Available at: <http://www.20minutos.es/noticia/2088812/0/seguros/consejos/ahorrar/>



Nearly 2 out of 10 Spanish consumers plan to change their car insurance when buying a **new car**. This is indicated by the European Study “How to buy safe” conducted by AutoScout24 in 2014<sup>875</sup>.

#### 8.2.6. Consumer awareness

Some interviewees reported that specific consumer awareness campaigns on insurance should be launched, as there are currently none, as opposed to other sectors such as e-commerce, energy, etc.

General information on the insurance sector in Spain is available on the website of the national authority (DG Seguros y Fondos de Pensiones)<sup>876</sup> and on the GASPAR Portal<sup>877</sup>, a dedicated website where the main insurance concepts, guidelines and advice on how to contract insurance products and present claims can be found.

In 2013, Banco de España and the Comisión Nacional del Mercado de Valores (CNMV) (financial supervisions authorities) signed a cooperation agreement for the implementation of a plan 2013-2017 on financial service education<sup>878</sup>. The plan aims to improve public knowledge regarding financial services. The working group of the Banco de España and CNMV signed a cooperation agreement with the Spanish national authority, which is also participating in the working group through a number of experts. This agreement led in 2010 to the launch of a Portal on financial services education<sup>879</sup>. An agreement with the Fundación MAPFRE, a trade association, led to the launch of a website specifically dedicated to improving **consumers’ knowledge of insurance products**<sup>880</sup>.

The government is also in the process of creating a specific transparency area on their website where information and data on insurance can be uploaded.

In addition, some trade associations publish guidelines and / or information on insurance products for their members (e.g. UNESPA), while others run comparison websites. For instance, OCU is currently running two comparison websites, respectively on motor<sup>881</sup> and household insurance<sup>882</sup>. **UNESPA issues “self-regulation” transparency guidelines**<sup>883</sup> on information to be provided to consumers before a contract is concluded for different products, including motor and multi-risk insurance. UNESPA members can adopt the guidelines on a voluntary basis. Currently, 80% of insurance companies that are UNESPA members subscribed to the motor guidelines<sup>884</sup>, while only 60% signed up to the multi-

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<sup>875</sup> AutoScout, 2014, Casi un 20% de los españoles planea cambiar de seguro cuando compra un coche. Available at: <http://about.autoscout24.com/es-es/au-press/au-press-news-as24.aspx?pid=405922>

<sup>876</sup> Dirección General de Seguros y Fondos de Pensiones, 2008, Information about sectors. Available at: <http://www.dgsfp.mineco.es/Gaspar/NEOglosario.asp#T>

<sup>877</sup> Dirección General de Seguros y Fondos de Pensiones, 2008, Technical Glossary. Available at: <http://www.dgsfp.mineco.es/Gaspar/NEOglosario.asp#T>

<sup>878</sup> Comisión Nacional del Mercado de Valores, 2013, Plan de Educación Financiera 2013-2017. Available at : [http://www.bde.es/f/webpcb/RCL/canales/home/menu-vertical/educacion-financiera/Plan\\_de\\_Educacion\\_Financiera\\_2013\\_2017.pdf](http://www.bde.es/f/webpcb/RCL/canales/home/menu-vertical/educacion-financiera/Plan_de_Educacion_Financiera_2013_2017.pdf)

<sup>879</sup> Finanza para todos, 2016. Available at: <http://finanzasparatodos.es/>

<sup>880</sup> Mapfre, 2016, Seguros para todos, 2016. Available at: [www.segurosparatodos.es](http://www.segurosparatodos.es)

<sup>881</sup> OCU, 2016, Seguro de coches. Available at: <http://www.ocu.org/coches/seguros-coche/calculadora/comparar-seguros-coche>

<sup>882</sup> OCU, 2016, Seguros de hogar. Available at: <http://www.ocu.org/dinero/seguros/calculadora/comparar-seguros-hogar>

<sup>883</sup> UNESPA, 2016, En beneficio de nuestros clientes, el seguro va más allá de lo que marcan las leyes. Available at: <http://www.unespa.es/frontend/unespa/AUTORREGULACION--En-Beneficio-De-Nuestros-Clientes--El-Seguro-Va-Mas-Alla-De-Lo-Que-Marcan-Las-Leyes-vn2818-vst226>

<sup>884</sup> UNESPA, 2016, Good Practice guidelines for car insurance. Available at: [http://www.unespa.es/adjuntos/fichero\\_4170\\_20160527.pdf](http://www.unespa.es/adjuntos/fichero_4170_20160527.pdf)

risk<sup>885</sup>. However, these numbers are increasing. UNESPA also published guidelines on internal dispute resolution<sup>886</sup>.

UNESPA and Tirea (an IT company for insurers) have developed a mobile application<sup>887</sup> that will enable people to find out what compensation for bodily injuries should be granted according to the renewed Spanish injuries evaluation system for traffic road accidents (Baremo). This tool is already operational and it can be used free of charge. It will be especially useful to traffic road victims, judges, lawyers, attorneys, doctors and any other person involved in the aftermath of a traffic accident.

### 8.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from Spain

#### 8.3.1. Factors potentially leading to problems with consumer decision-making

In Spain, no problematic selling was reported. Yet, some problems regarding consumer decision making were identified, particularly in terms of difficulties in assessing information about insurance products. However, this was not seen as a problem specific to the insurance sector. Rather, UNESPA interviewees reported a general lack of knowledge of financial services for Spanish consumers (financial services literacy).

Studies reporting consumer issues in terms of decision making when buying and using non-life insurance were not available, however interviewees from consumer associations reported the fact that complaints reflect the fact that consumers often misunderstand contract features and do not take relevant information into account when buying insurance products, as they are mainly focused on price.

Overall, the main reasons why consumers in Spain do not make correct decisions in the non-life insurance sector include:

- General limited knowledge of financial services products;
- Complexity of consumer contracts and subsequent misunderstanding of contract features;
- The fact that consumers do not read the terms and conditions before purchasing an insurance product;
- Limited availability of pre-contractual information.

Data on the number of consumers owning duplicate insurance covers was not available. The most common overlaps reported pertain to household insurance.

Information on the monetary detriment of consumers as a result of problems they encounter in the insurance market in Spain was not available.

Estimates of the potential savings that consumers could make if they were to make better insurance purchase decisions were not available.

#### 8.3.2. Remedies that have been proposed or put in place

**To improve consumers' decision-making** in the financial products market (including insurance), the Spanish government approved Orden ECC/2316/2015, de 4 de noviembre, relativa a las obligaciones de información y clasificación de productos

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<sup>885</sup>UNESPA, 2010, Good Practice guidelines - multirisk insurance [http://www.unespa.es/adjuntos/fichero\\_4103\\_20151124.pdf](http://www.unespa.es/adjuntos/fichero_4103_20151124.pdf)

<sup>886</sup>UNESPA, 2016, Good practice guidelines for internal resolution practices. Available at: [http://www.unespa.es/adjuntos/fichero\\_4145\\_20160309.pdf](http://www.unespa.es/adjuntos/fichero_4145_20160309.pdf)

<sup>887</sup>IDEA, 2016. Available at: <https://idea.tirea.es/iDEAWeb/>

financieros<sup>888</sup> (on information and classification of financial products), referring to the improvement of consumer conditions, which would be applied to all financial products to flag the degree of risk for the consumer. The risk indicator would be a traffic light indicator (red for a high-risk product). However, it is too early to assess the effectiveness of this measure.

The Spanish ECC is currently in conversation with a number of car rental companies and brokers with the aim to improve their practices regarding the information they provide to consumers before signing the contract as well as the way in which complaints and claims should be dealt with. This initiative, which started two years ago, appears to be beneficial to solve specific complaints filed by consumers.

In general, most interviewees **reported that consumers' literacy in terms of financial products** should be improved and that insurance providers should provide additional information to consumers before a contract is concluded. Financial product literacy should particularly be dealt with at the regional government level.

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<sup>888</sup>Orden ECC/2316/2015. Available at: <https://www.boe.es/boe/dias/2015/11/05/pdfs/BOE-A-2015-11932.pdf>

## 9. Country Report: Sweden

### 9.1. Non-life insurance market

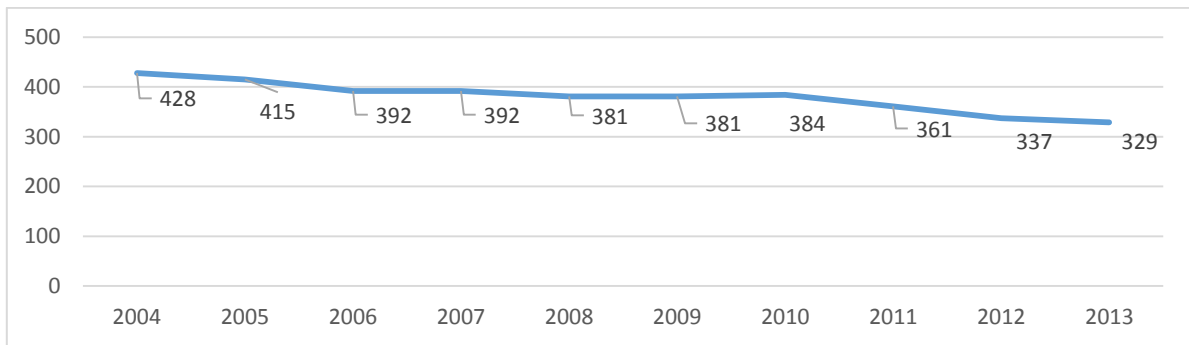
#### 9.1.1. Non-life insurance

##### *Overview of the national market*

In 2015, Swedish insurance companies generated a premium income amounting to 35.4 billion EUR (322 billion SEK). 20 000 jobs related to the insurance sector and about 440 billion EUR (4,000 billion SEK) were invested in the global economy in 2015<sup>889</sup>. There are 369 registered insurance companies in Sweden, of which 127 national companies (including 88 non-life insurance companies), 138 local insurance companies, 64 friendly societies and 40 foreign companies, branches and agencies.

The graph below provides an overview of the development of the total number of insurance companies in Sweden over time.

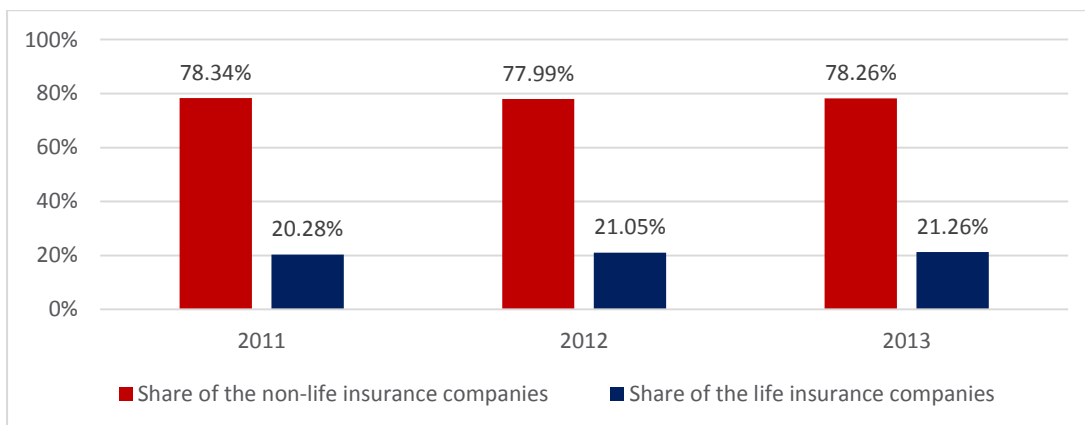
Figure 41 : Number of insurance companies in Sweden (2004-2013)<sup>890</sup>



Source: Insurance Europe, 2014, European Insurance in Figures

The graph below provides an overview of the market share of insurance companies in Sweden between 2011 and 2013.

Figure 42 : Market share of insurance companies in Sweden (2011-2013)



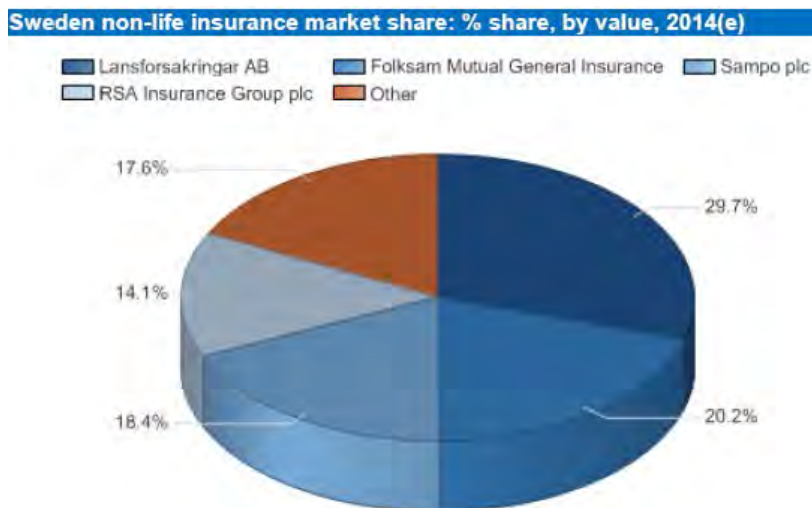
Source: OECD, 2016, OECD Insurance Statistics 2015

<sup>889</sup> Svensk Försäkring, 2016, Försäkringsbranschen (this information relates to both non-life and life insurance). Available at: <http://www.svenskforsakring.se/Huvudmeny/Fakta--Statistik/Fakta/Undersidor/Forsakringsbranschen/>

<sup>890</sup> The graph provides with an overview of the overall number of insurance companies in Sweden, comprising both life and non-life insurance

As illustrated in the figure below, the Swedish non-life insurance market is very concentrated. The top four companies account for 83% of the market, where Lansforsakringar AB is the leader, generating 29.7% of the market value, followed by Folksam Mutual General Insurance (20.2%), Sampo plc (18.4%) and RSA Insurance Group plc (14.1%).

Figure 43 : Sweden non-life insurance market share in 2014



Source: MarketLine, 2015, Non-Life Insurance in Sweden

Table 2 of Annex I is based on the latest statistics from Insurance Europe and illustrates the total number of non-life insurance density in Sweden. A gradual increase in the total non-life density excluding health can be observed from 2011 onwards up to 635 EUR in 2014, while the non-life density including health experienced a drop in 2012 before increasing the following years, up to 646 EUR in 2014.

Table 1 of Annex I contains information about non-life insurance market penetration in Sweden, per category. The total penetration between 2011 and 2013 has been relatively steady in Sweden, with a slow decrease between 2012 and 2013 and an increase in 2014, to 1.4%.

There are two main legislations to consider for private insurance in Sweden. One legislation provides the framework for commercial activities related to insurance, and another one relates to agreements and contracts, and regulates the relation between the insurance provider and the insurance taker.

The legislation related to insurance and commercial activities (försäkringsrörelselagen, 2010:2043, FRL) came into force in 2011 and replaced the previous legislation with the same name which dated from 1982. FRL includes rules around the establishment of insurance companies, their activities, and the supervision. In order to establish an insurance company, or to extend the variety of products available, a specific permission is needed which is given by the financial supervisory authority (Finansinspektionen FI). Through the new legislation from 2011, the scope of organisations that may receive such permission was extended to include additional types, such as associations. The mentioned law is adapted to EU legislation<sup>891</sup>. According to the interviews conducted, consumers are protected through high requirements regarding good information and transparency.

<sup>891</sup> Svensk försäkring, 2011, Insurance Legislation. Available at: <http://www.svenskforsakring.se/Huvudmeny/Fakta--Statistik/Fakta/Undersidor/Forsakringslagstiftning/>

The law relating to insurance agreements (försäkringsavtalslagen, 2005:104, FAL) came into force in 2006 and thus replaces the previous legislation from 1927 regarding insurance agreements and a consumer insurance legislation from 1980. This law regulates the relation between the insurance provider and the insurance taker (or other persons covered by the insurance in question). The provisions include information requirements before and after the agreement, when and how the contract can end, when and how the premium should be paid, how the compensation should be estimated, and how remedies are to be carried out.

Other laws include those establishing requirements for insurance intermediaries and their practices, as well as the legislative framework relating to consumer protection, which guarantees equal treatment between the parties. It is also important to mention the law making third-party liability insurance compulsory for all vehicles (trafikskadelagen).

Interviewees consulted within the context of this study were not aware of specific court cases involving consumers and insurance providers. It was mentioned by Finansinspektionen (the supervisory authority) that complaints are handled by the insurance companies in a first instance, and are normally dealt with by the industry, while it is rare that a complaint is taken to court.

In regard to the Insurance Distribution Directive (IDD), it was mentioned in the interview with Finansinspektionen that the information requirements established by the directive may be valuable to provide the consumer with a simplified description of a specific product. However, the terms and conditions will always account for all the detailed information and will be used in case of disagreement and complaints. No specific expected impacts were mentioned in this regard even though the harmonisation of information provided to the consumers was considered to potentially have a positive impact. The national supervisory authority (Finansinspektionen) noted that Sweden might implement the directive earlier than 2018 (not yet confirmed).

The non-life insurance companies are subject to corporate taxes which currently account for 22% of the net from the insurance operations<sup>892</sup>. For motor insurance, the premium tax is calculated on the premium in conformity with the traffic third party liability Act (Trafikskadelagen, SFS 1975:1410), where the tax rate is 32% of the total premium<sup>893</sup>.

Non-life insurance companies are taxed as regular limited liability companies. Most of the non-life insurance products are exempt from insurance premium tax, apart from premiums received for motor vehicle insurance, for which the tax rate is 32% of the premium. The event generating tax is the receipt of premium payment by the insurer. The liability to pay tax based on that income arises at the end of each month. Insurance premiums are not subject to value added tax (VAT)<sup>894</sup>. When conducting business through a permanent establishment in Sweden, foreign non-life insurance companies are also subject to the regular corporation tax rate of 22%. Similarly, the taxable income is assessed in the same way than for Swedish non-life insurance companies<sup>895</sup>.

### *Overview of premiums*

In 2014, the gross written premium (GWP) for non-life insurance companies was slightly less than 7.7 billion EUR (SEK 70 billion). In terms of GWP, the most common non-life

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<sup>892</sup> Svensk Försäkring, 2011, Taxation in Insurance. Available at: <http://www.svenskforsakring.se/Startsidan-EN/Huvudmeny/About-the-industry/Undersidor/Taxation-of-insurance/>

<sup>893</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://www.insuranceeurope.eu/indirect-taxation-insurance-contracts-europe-2016>

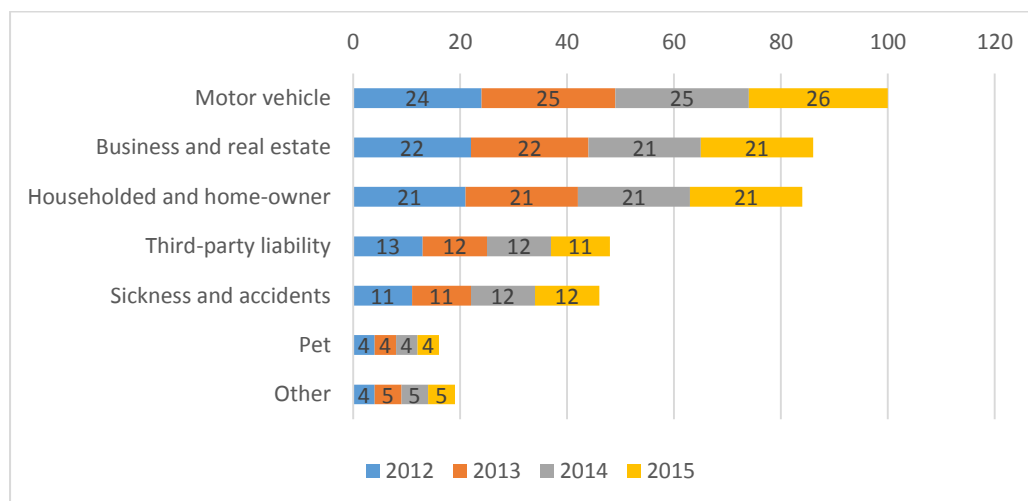
<sup>894</sup> Practical Law, 2016, Insurance and reinsurance in Sweden: overview. Available at: <http://uk.practicallaw.com/8-518-2519>

<sup>895</sup> Vinge, 2015, Insurance Services in Sweden. Available at: <http://www.vinge.se/Global/Publikationer/Artiklar/Vinge%20Insurance%20Service%20april%202015.pdf>

insurance is motor vehicle insurance closely followed by business and real property insurance, and householder and homeowner insurance (see next sections for definitions). Table 5 of Annex I demonstrates the development of the GWP for non-life insurance in Sweden from 2011-2014. While the non-life GWP excluding health has increased continuously over the years, the non-life GWP including health experienced a drop in 2012 before increasing the following years.

The gross written premiums per category are demonstrated by the graph below.

Figure 44 : Gross written premium per category in Sweden (%)



Source: Svensk Forsäkring, 2015, Non-life insurance

No overview of the earned premiums in Sweden was available. However, the annual reports of the major non-insurance companies in Sweden provide such information. Lansforsakringar AB is the market leader in Sweden, generating 29.7% of the market value and in 2014 it reported 454.99 million EUR (SEK 4,099 million) in earned premiums<sup>896</sup>. Folksam Mutual General Insurance generates 20.2% of the market value and in 2014 reported 1290 million EUR (SEK 11,630 million) in earned premiums<sup>897 898</sup>.

#### Overview of data on claims

In 2014, non-life insurance companies paid out slightly less than 5.6 billion EUR (SEK 51 billion) in compensation for various claims<sup>899</sup>. The below figure compares the number of claims reported per type of damage in 2004 and 2013. It can be noted that claims for all-risk policies have more than doubled during the latest 10-year period from 12,099 EUR to 26,640 EUR (SEK 109,000 to 240,000 SEK). Claims for thefts, machinery and water damage have also increased. Overall, the number of claims has increased by 74% between 2004 and 2013<sup>900</sup>.

<sup>896</sup> Lansforsakringar AB, 2014, Annual Report 2014. Available at: <http://www.lansforsakringar.se/stockholm/om-oss/in-english/financial-reports/>

<sup>897</sup> Folksam, 2015, Year-end report January-December 2015. Available at: <http://media.folksam.se/en/files/2016/02/Folksam-Year-end-report-2015-v3.pdf>

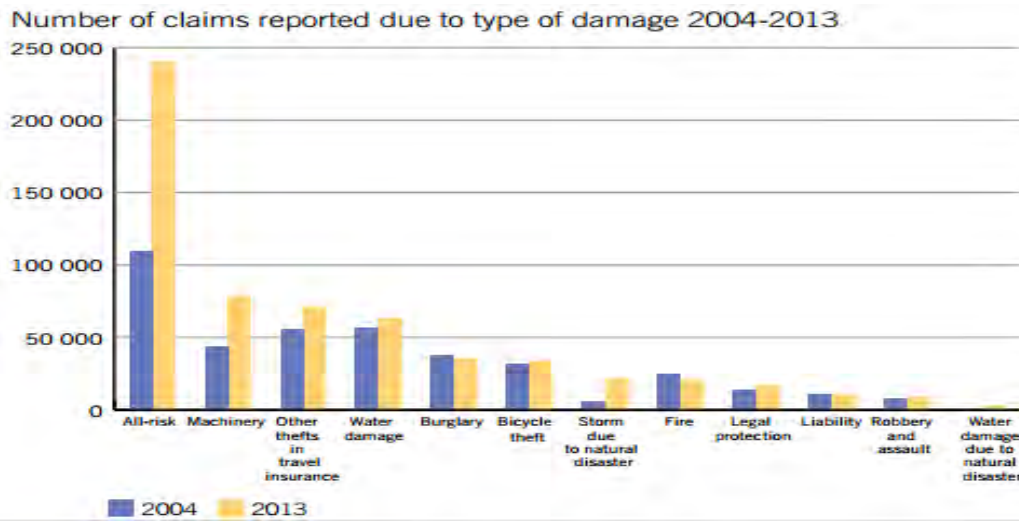
<sup>898</sup> Lansforsakringar AB and Folksam Mutual General Insurance account for nearly 50% of the Swedish market value. Their financial reports provide with data on annual premiums earned.

<sup>899</sup> Svensk Försäkring, 2015, Non-life insurance. Available at: <http://www.svenskforsakring.se/Startsidan-EN/Huvudmeny/About-the-industry/Undersidor/Insurance-in-Sweden/Undersidor/Non-Life/>

<sup>900</sup> Svensk Försäkring, 2015, Non-life insurance. Available at: <http://www.svenskforsakring.se/Startsidan-EN/Huvudmeny/About-the-industry/Undersidor/Insurance-in-Sweden/Undersidor/Non-Life/>



Figure 45 : Number of claims reported due to type of damage in Sweden

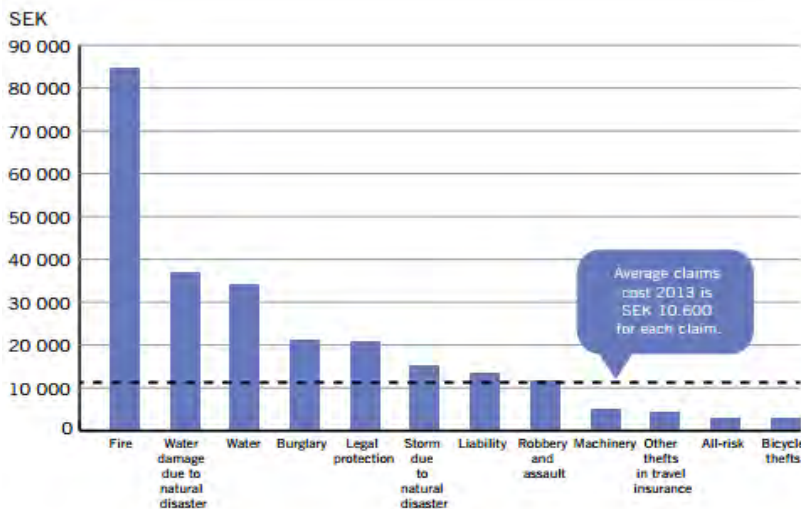


Source: Svensk Försäkring, 2015, Non-life insurance<sup>901</sup>

Table 7 of Annex I provides an overview of the development of the total amount of claims paid by insurers over the period 2011-2014. An overall increase can be noted, up to 6,347 million EUR in 2014 (including health).

The figure below outlines the average claims paid by type of damage in home, holiday home and boat insurance in 2013. The average claim paid has been the same during the latest 10-years period, around EUR 1,166 (SEK 10.600)<sup>902</sup>. While the most common type of claim was on all-risk policies in 2013, the largest type of claim in terms of value was fire damage, followed by water damage due to natural disaster.

Figure 46 : Average claims paid by type of damage in home, holiday home, and boat insurance in Sweden – 2013



Source: Svensk Försäkring, 2015, Non-life insurance<sup>903</sup>

<sup>901</sup> This graph has been copied from the statistical report of the Swedish Insurance Association 2014. As no real values were provided, the graph has not been recreated.

<sup>902</sup> Svensk Försäkring, 2015, Non-life insurance. Available at: <http://www.svenskforsakring.se/Startsidan-EN/Huvudmeny/About-the-industry/Undersidor/Insurance-in-Sweden/Undersidor/Non-Life/>

<sup>903</sup> This graph has been copied from the statistical report of the Swedish Insurance Association 2014. As no real values were provided, the graph has not been recreated. Values on the y axis start from EUR 1100 and go up to EUR 9900 (SEK 1 = EUR 0.11).



Table 8 of Annex I presents the evolution of non-life claims ratios between 2011 and 2013. Non-life claims ratios fluctuated between 34% and 39% during this period, reaching 34% in 2013.

Table 9 of Annex I presents the evolution of the combined ratio of the non-life segment between 2011 and 2013. It developed from 82%, 125% to 106% in 2013, generating considerable underwriting loss for non-life insurers<sup>904</sup>.

### 9.1.2. Household insurance

#### *Overview of the selected products*

This type of insurance is held by 95% of all households in Sweden and covers content and property of the insurance taker as well as of the other persons that are part of the household<sup>905</sup>. In addition to household insurance, the consumer generally complements the coverage with another type of insurance in case he/she owns a flat (bostadsrättstillägg). When consumers own a house, they generally have a specific building insurance as well (villaförsäkring). The household and building insurances are often sold as one product (hemvillaförsäkring). Insurances of this type are often offered as a one-year contract and the consumer can therefore only change insurance provider/contract in case of moving/changing address.

In regard to the scope of household insurance, the following aspects are normally included:

- Protection of content (furniture, clothes, electronic devices, jewellery) in case of fire or burglary;
- Travel insurance which is valid for up to 45 days in most cases;
- Economic assistance in case the consumer is responsible for compensation;
- Economic assistance in case the consumer is in need of a lawyer;
- Economic compensation in case the consumer is attacked or physically abused.

Household insurance normally covers everyone who is registered at the relevant address and is part of the household, including children below the age of 18 even if they are not registered at the address. The risks covered generally include theft and burglary, fire in the housing (in case of rental), water damage, and any other unforeseeable damage (i.e. unforeseen circumstances that might damage belongings). The basic excess ranges from EUR 82.5-EUR 165 (750-1500 SEK)<sup>906</sup>. No information on limits for claims was identified.

In regard to building insurance, the whole building is covered and damage will be compensated in case of fire, flood, or other similar incidents (natural damages). Water damages are included in the scope but will depend on the specificities causing the damage. Issues related to the kitchen and bathroom content, boiler, and other installations, are also included in the scope. The protection normally includes the entire premises, and other related buildings on the lot (garage or similar) in case of damage. Many insurance companies offer optional products for the building insurance which may cover additional incidents and higher limits on the claims for specific parts of the house or specific appliances. The basic coverage normally includes fire and water damage, natural damage, as well as damage caused by pests and fungi. Excess for building insurance may range

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<sup>904</sup> The OECD Insurance Statistics explains that an underwriting loss does not imply an overall loss, as these losses are usually recovered through investment earnings.

<sup>905</sup> Svensk Försäkring, 2015, Insurance in Sweden, [http://www.svenskforsakring.se/Global/Broschyrrer/SF\\_Statistikbroschyr\\_2015\\_web.pdf](http://www.svenskforsakring.se/Global/Broschyrrer/SF_Statistikbroschyr_2015_web.pdf)

<sup>906</sup> Konsumenternas, Comparison tool. Available at: <http://www.konsumenternas.se/forsakring/olika-forsakringar/om-hemforsakringar/jamfor-hemforsakringar>

from 110-330 EUR (1000-3000 SEK). However, specific excess applies for different parts of the insurance policy.

Building insurance covers damage in case of natural disaster, such as storm, flood or earthquake. Although all house and household insurances in Sweden have to cover for these damages, the service is optional. The place where the property is situated does not influence the premium to be paid. The coverage for earthquake can go up to 525,000 EUR (SEK 5 million)<sup>907</sup>.

In Sweden, home insurance policy also includes liability. Therefore, the insurance covers the policy holder and all the members of the household listed in the policy. In case of a **claim for damaging someone's belonging, the insurer will investigate the extent of the liability and claim up to 519,329 EUR (SEK 5 million)**. In case of an unforeseen external event, the cover can range between 5,193 EUR and 8,309 EUR (SEK 50,000 and SEK 80,000).

As mentioned in the interviews with a consumer body, Konsumenternas, duplicate insurance cover can occur for this category. For example, it was mentioned that people in Sweden often have a household insurance through their trade unions and collective agreements, but might not be aware of this and therefore buy the household insurance product themselves. Furthermore, in the example of a couple living together, the two persons might have two household insurances through two separate trade unions. Another example of duplicate insurance cover could be if the consumer is the owner of a flat. In Sweden, it is common that there is a housing cooperative<sup>908</sup> in charge of the building which has a collective building insurance. Therefore, there is no need for the flat owner of the flat to buy this insurance product. However, as the flat owner is not always aware of this, he/she buys this additional product, leading to a duplicate insurance cover related to the building in which the flat is situated (bostadsrättstillägg).

Boats are included in household insurance figures since, according to SweBoat<sup>909</sup>, Sweden has more pleasure boats per capita than almost any other country in the world. A survey conducted in 2010 found that Swedish households with members aged between 20 and 74 own 881,000 pleasure boats and that 202,000 pleasure boats include accommodation, used for 290,000 overnight stays in 2010. A bit less than 30% of all boats are covered by **the owner's home insurance, 40% are covered by a specialist boat insurance and the remainder are usually small boats without motors**.

### *Overview of the national market*

In 2015, the number of non-life insurance policies for homes, holiday homes and boats amounted to almost 5.7 million. The number of homeowner insurance policies amounts to 321,984 EUR (SEK 3.1 million)<sup>910</sup>.

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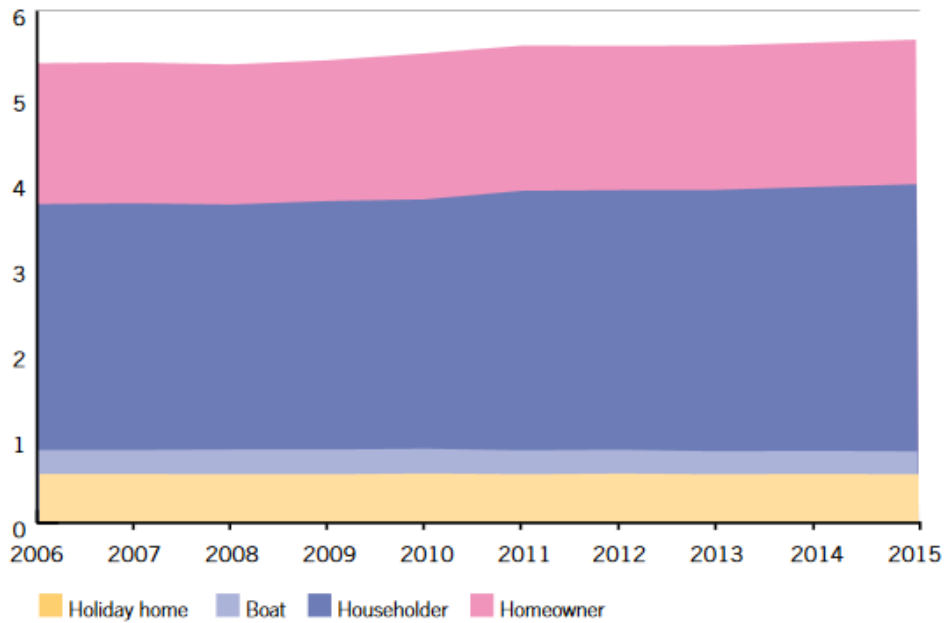
<sup>907</sup> JRC, 2012, Natural Catastrophes: Risk relevance and Insurance Coverage in the EU. Available at: [http://ec.europa.eu/internal\\_market/insurance/docs/natural-catastrophes/jrc\\_report\\_on\\_nat\\_cat\\_en.pdf](http://ec.europa.eu/internal_market/insurance/docs/natural-catastrophes/jrc_report_on_nat_cat_en.pdf)

<sup>908</sup> Housing cooperatives are commonly used in Sweden and established by law. On 1<sup>st</sup> May 2009, a legislation on individual ownership of a building and flat was introduced.

<sup>909</sup> Swebot, 2012, Boating in brief. Available at: <https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=8&cad=rja&uact=8&ved=0ahUKEwj-4bbk-rTPAhUJDMAKHZ9cBjcQFgh3MAc&url=http%3A%2F%2Fservice.batbranschensriksforbund.se%2Ffile.aspx%3Ffile%3D97faed62-2d03-480d-b15f-4830a5810b96&usq=AFOjCNGrQZKWz9dGeD4fIySwNsA2GrPH2A&bvm=bv.134052249,bs.1,d.d24>

<sup>910</sup> Svensk försäkring, 2015, Insurance in Sweden. Available at: [http://www.svenskforsakring.se/Global/Broschyrer/SF\\_Statistikbroschyr\\_2015\\_eng\\_final.pdf](http://www.svenskforsakring.se/Global/Broschyrer/SF_Statistikbroschyr_2015_eng_final.pdf)

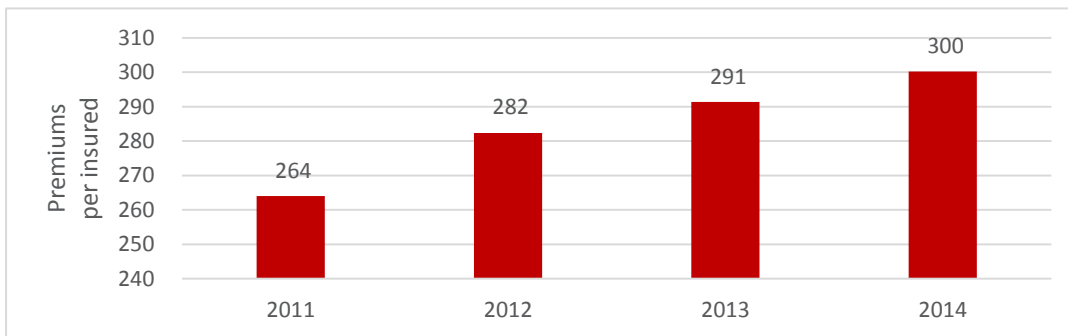
Figure 47 : Number of non-life insurance policies written (home, holiday home, boat) in Sweden (in millions)



Source: Svensk Försäkring, 2015, Non-life insurance<sup>911</sup>

The graph below is based on the latest statistics from Insurance Europe and illustrates the total density of property premiums in Sweden. It can be observed that the number increased gradually from 2011 onwards.

Figure 48 : Household insurance density in Sweden between 2011 and 2014 (EUR)



Source: Insurance Europe, 2016, Insurance Europe Database

Household insurance penetration has remained stable at 0.6% between 2011 and 2013, rising slightly at 0.7% in 2014<sup>912</sup>.

### Overview of premiums

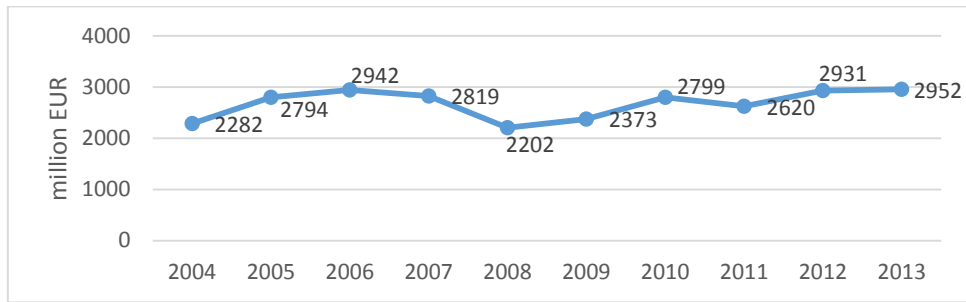
The figure below provides an overview of the development of gross written premiums over time for property insurance. While a drop can be noted 2006-2008, the GWP has been

<sup>911</sup> This graph has been copied from the statistical report of the Swedish Insurance Association 2015. As no real values were provided, the graph has not been re-created.

<sup>912</sup> Insurance Europe, 2016, Insurance Europe Database. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

increasing since then (except a small drop in 2011). There has been a minimal growth of 4% in 2013.

Figure 49 : GWP for property insurance in Sweden (million EUR)

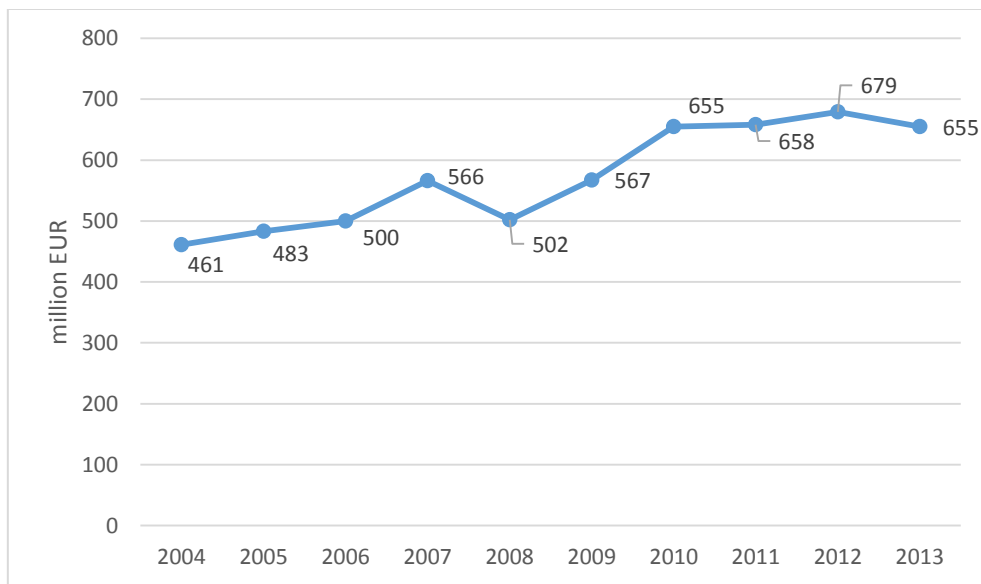


Source: Insurance Europe, 2016, Insurance Europe Database

*Overview of data on claims*

The figure below indicates the development regarding the amount of claims paid by insurers for property insurance. Despite a drop in 2008, there has been a steady increase. However, it can be noted that there was a slight decrease of 0.4% in 2013.

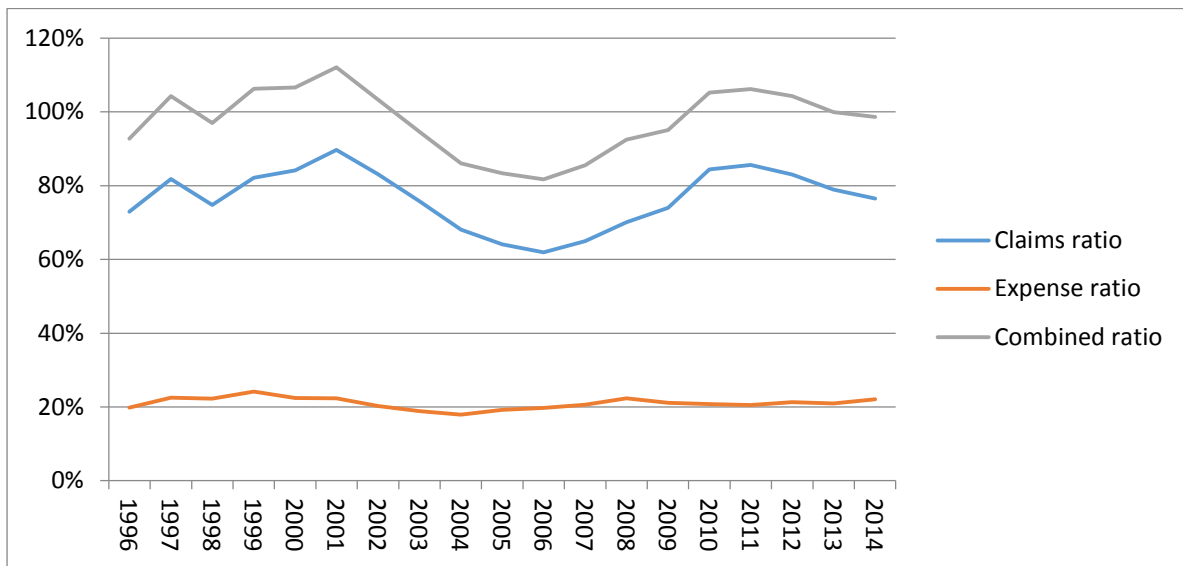
Figure 50 : Amount of property claims paid by insurers between 2004 – 2013 in Sweden (million EUR)



Source: Insurance Europe, 2016, Insurance Europe Database

The figure below shows the development of claims ratio, expense ratio, and combined ratio over the years, from 1996 onwards. It can be noticed that the combined ratio exceeded 100% between 2010 and 2012 which is indicative of an underwriting profit loss. As for the expense ratio, it can be observed that it has been steady throughout the whole period.

Figure 51 : Claims ratio, expense ratio, combined ratio for household insurance in Sweden



Source: Svensk Försäkring, 2015, Non-life insurance statistics

Table 234 : Claims ratio, expense ratio, combined ratio for household insurance in Sweden

	2011	2012	2013	2014
Claims ratio (%)	85.6	83.0	78.9	76.5
Expense ratio (%)	20.5	21.3	21.0	22.1
Combined ratio (%)	106.1	104.3	99.9	98.6

Source: Svensk Försäkring, 2015, Non-life insurance statistics

### 9.1.3. Motor insurance

#### *Overview of the selected products*

In the context of motor insurance, third-party liability insurance is compulsory in Sweden by law through the Motor Insurance Act (TFL). Foreign insurers inside the EU who intend to cover risks in Sweden must have a representative in the country. The representative has to be accredited to handle claims on behalf of the insurer, who must be a member of the Association of Motor Insurers<sup>913</sup>. The only exception from this legislation is where the vehicle is no longer in use. Any damage caused by the car on another object or on a person, is covered by this insurance. Third party liability insurance compensates personal injury and property damage up to 2860 million EUR (SEK 300 million). The insurance is valid in all EU and EES countries as well as in the countries that are members of the Green Card system<sup>914</sup>.

However, the actual car is not protected through this insurance. As a consequence, car owners tend to have the car insured through a partial (halvförsäkring) or full insurance cover (helförsäkring).

<sup>913</sup> Finansinspektionen, 2014, Cross-border services in Sweden. Available at: [http://www.fi.se/upload/90\\_English/40\\_Authorisation/notification/cross-border-services-in-sweden-2014-03-04n.pdf](http://www.fi.se/upload/90_English/40_Authorisation/notification/cross-border-services-in-sweden-2014-03-04n.pdf),

<sup>914</sup> Länsförsäkringar, 2015, Motor insurance. Available at: <https://www.lansforsakringar.se/globalassets/aa-global/dokument/information/01523-broschyr-personbil-eng.pdf>

The partial cover includes theft, fire, glass, and machinery insurance, as well as assistance in case of need for judicial protection and/or rescue.

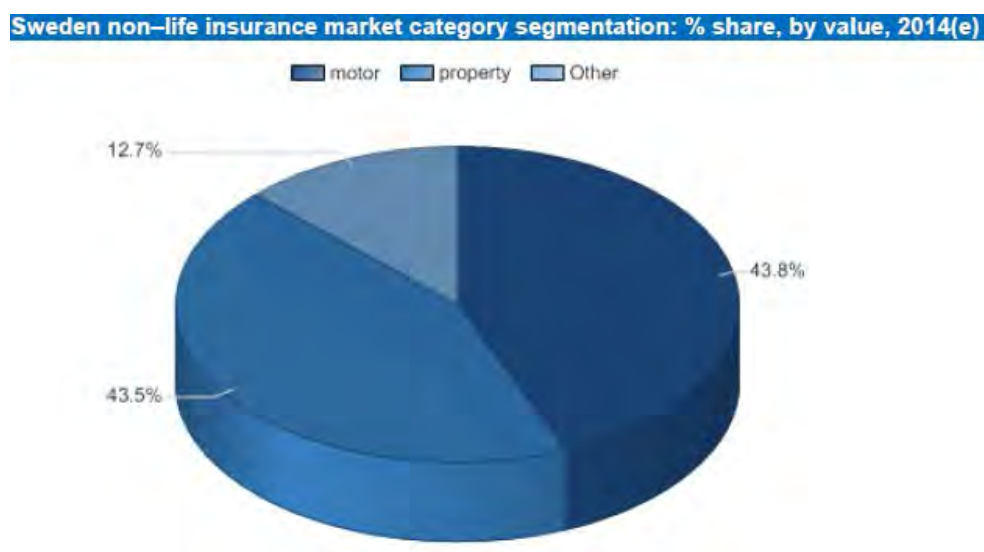
The full insurance cover (comprehensive cover) includes any damage made to the car in case of accidents or vandalism. Excess varies according to the various aspects covered. For example, the motor type and model can affect the excess because repairs and other damage costs depend on this. Also, age represents another important criterion because young drivers constitute a higher risk<sup>915</sup>. People under 24 years in Sweden have access to a special "youth excess" of at least 155 EUR to 311 EUR (1,500 SEK to 3,000 SEK)<sup>916</sup>.

In 2014 an official government investigation report (FFF report) was released in Sweden, **proposing a policy package meant to promote Fossil Free Fleet by 2050. One of the policy's** objective was to design a Bonus-Malus system that drives the Swedish fleet composition towards the EU objectives of the average CO2 emissions of 96g/km for new cars by 2021. The scenarios proposed by this policy package include among others, CO2 differentiated Bonus-Malus system of registration tax and environmental premium<sup>917</sup>.

### Overview of the national market

In 2013, motor third party liability insurance covered just over 5.8 million vehicles, while motor vehicle insurance covered around 6.5 million vehicles. As illustrated in the figure below, motor is the largest segment of non-life insurance market in Sweden, representing **43.8% of the market's total value, with total gross written premiums of 409 million EUR (SEK 3.94 billion)**<sup>918</sup>.

Figure 52 : Sweden non-life insurance market category segmentation (2014)



Source: MarketLine, 2015, Non-Life Insurance in Sweden

<sup>915</sup> Länsförsäkringar, 2015, Motor insurance. Available at: <https://www.lansforsakringar.se/globalassets/aa-global/dokument/information/01523-broschyr-personbil-eng.pdf>

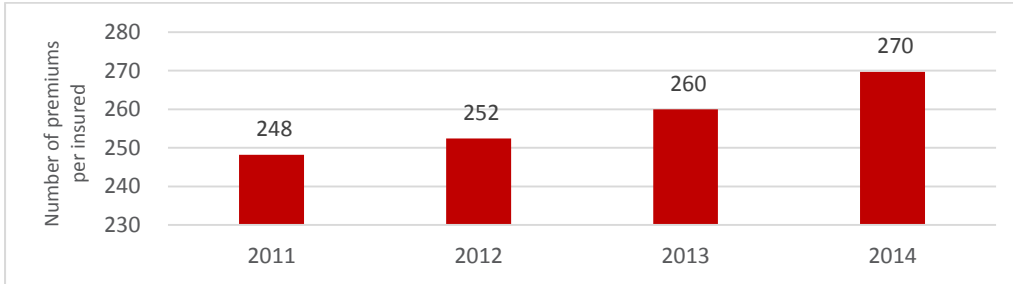
<sup>916</sup> Råd & Rön, 2014, Hyr bil utan överraskningar. Available at: <http://www.radron.se/guider/hyra-bil-utan-overraskningar/>

<sup>917</sup> Centre for Transport Studies, 2015, Evaluation of Bonus-Malus systems for reducing car fleet CO2 emissions in Sweden, Available at: <http://www.transportportal.se/swopec/CTS2015-6.pdf>

<sup>918</sup> MarketLine, 2015, Industry Profile, Non-Life insurance in Sweden

The graph below is based on the latest statistics from Insurance Europe and illustrates the total motor insurance density in Sweden between 2011 and 2014. It can be thus noticed that the number increased gradually from 2011 onwards.

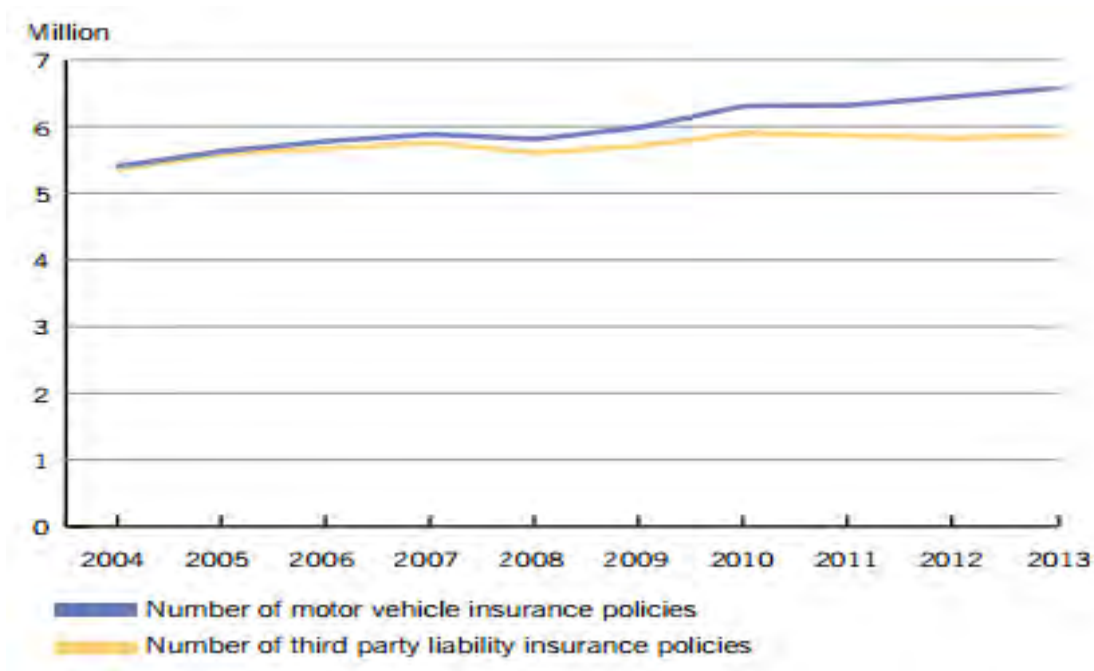
Figure 53 : Motor density in Sweden between 2011 and 2014



Source: : Insurance Europe, (20164), Insurance Europe Database

The below figure indicates a steady increase for both types of insurance since 2004, with a slight drop in 2008.

Figure 54 : Number of motor vehicle and motor third party liability insurance policies written in Sweden



Source: Svensk Försäkring, 2015, Non-life insurance<sup>919</sup>

While the two insurance types had almost equal numbers of policies written in 2004, the number of motor vehicle insurance policies has increased more than the number of M3PL insurances.

Motor insurance penetration remained stable at 0.6% between 2011 and 2015<sup>920</sup>.

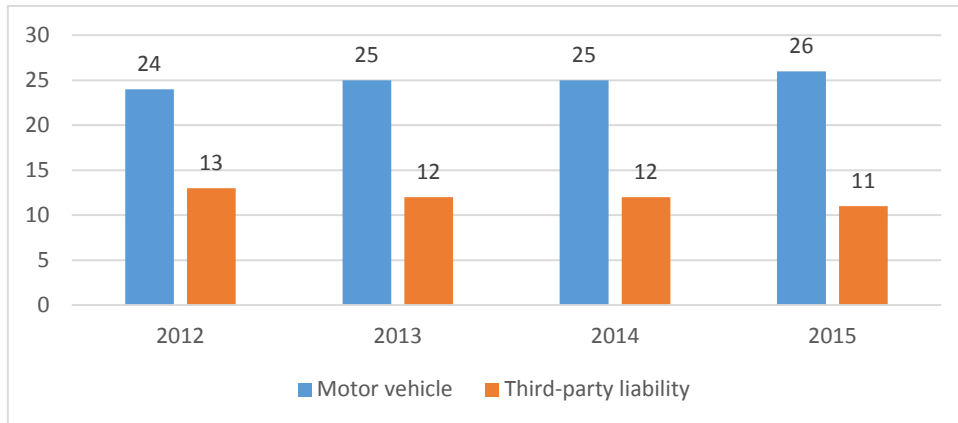
<sup>919</sup> This graph has been extracted from the statistical report of the Swedish Insurance Association 2014. As no real values were provided, the graph has not been re-created.

<sup>920</sup> Insurance Europe, 2016, Insurance Europe Database. Available at: [http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life\\_Insurance\\_Data.xlsx](http://www.insuranceeurope.eu/sites/default/files/attachments/Non-life_Insurance_Data.xlsx)

*Overview of premiums*

For both motor and M3PL insurance, the gross written premium has remained fairly stable over the past few years. The figure below shows the percentage of total gross written premium for non-life insurance in Sweden. In 2012, the premium income for non-life insurance was 6.6 billion EUR (SEK 64 billion). It has increased since then and in 2014, the gross written premium for non-life insurance companies was slightly less than 7.2 billion EUR (SEK 70 billion)<sup>921</sup>.

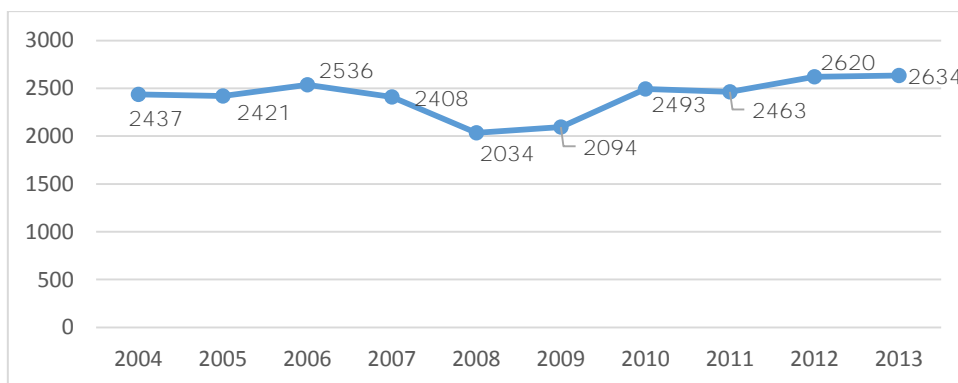
Figure 55 : Gross written premium for motor insurance and M3PL in Sweden (% of total non-life GWP)



Source: Svensk Försäkring, 2015, Non-life insurance statistics

The figure below provides an overview of the development of the gross written premium for motor insurance, taking into consideration a longer period starting in 2004. While the nominal growth is 3.8%, the drop in 2008 and 2011 can be noted.

Figure 56 : Gross written premium for motor insurance in Sweden (million EUR)



Source: Insurance Europe, 2016, Insurance Europe Database

*Overview of data on claims*

In 2014, the number of total insurance claims reported was nearly 1,2 million, out of which most of them concerned motor vehicle insurance. The claims reported for this type of

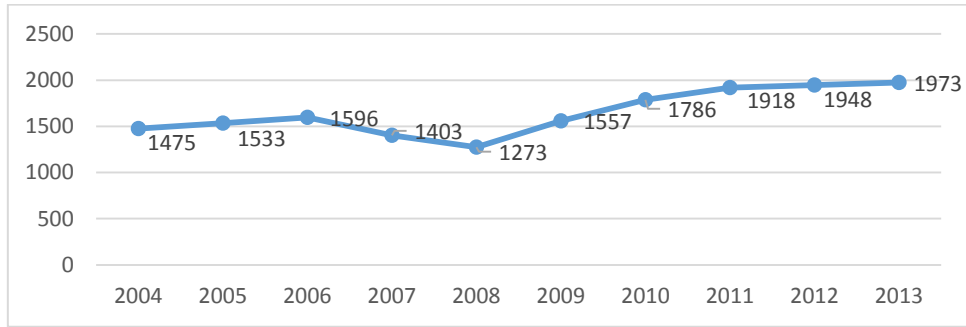
<sup>921</sup> Svensk Försäkring, 2015, Non-life insurance statistics. Available at: <http://www.svenskforsakring.se/Huvudmeny/Fakta--Statistik/Statistics-list/Skadeforsakring/>



insurance have increased by 40% over the period 2005-2014, while the average claim paid has been constant<sup>922</sup>.

In regard to claims paid for motor insurance, the below figure indicates an increase over the years, despite the drop in 2007-2008, reaching almost EUR 2 billion (SEK 19 billion) in 2013. The nominal growth is 4.5%.

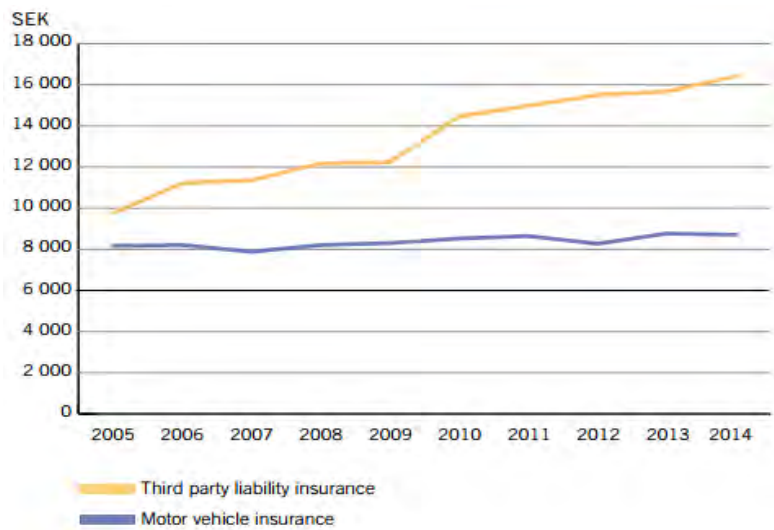
Figure 57 : Motor insurance – claims paid in Sweden (million EUR)



Source: Insurance Europe, 2016, Insurance Europe Database

In regard to M3PL insurance, the trend for number of claims reported has been slightly downwards while the claims paid increased. Insurance companies paid out compensation of 1.3 billion EUR (SEK 11.5 billion). The average claim paid was EUR 1430.

Figure 58 : Average claim paid in motor vehicle and motor third party liability insurance in Sweden



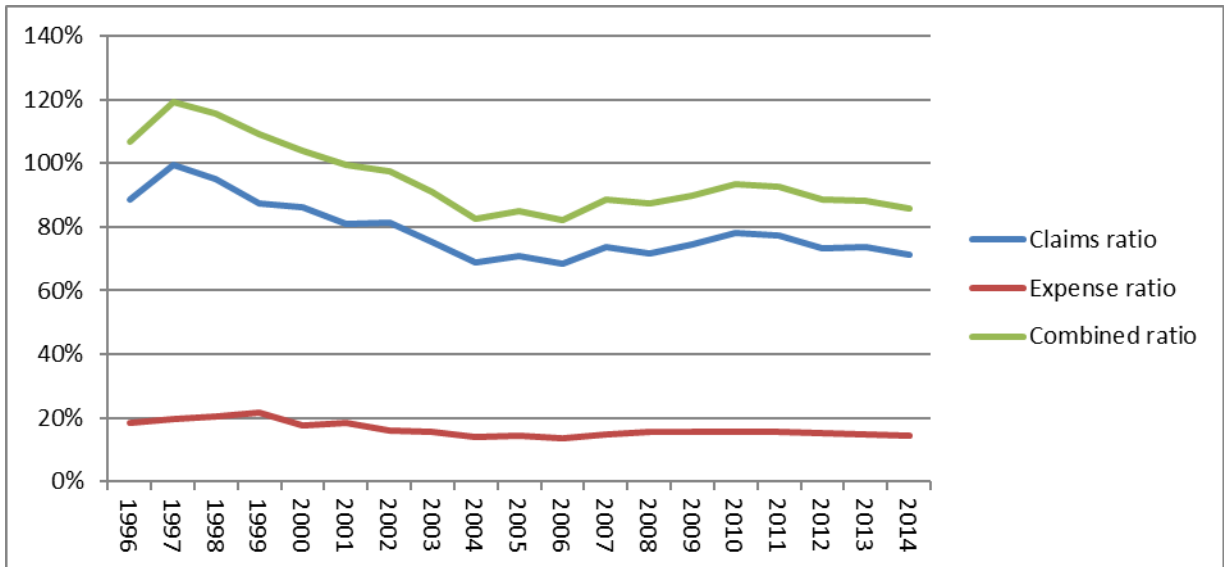
Source: Svensk Försäkring, 2015, Insurance in Sweden<sup>923</sup>

The figure below provides an overview of the development of claims ratio, expense ratio, and combined ratio in motor insurance. Taking into consideration the time period of 1996-2014, a decrease can be noted. While the expense ratio has decreased steadily, an increase can be noted for the claims ratio and combined ratio in 2006-2011. Since 2011, however, the decrease continued.

<sup>922</sup> Svensk Försäkring, 2015, Insurance in Sweden. Available at: [http://www.svenskforsakring.se/Global/Broschyrrer/SF\\_Statistikbroschyr\\_2015\\_web.pdf](http://www.svenskforsakring.se/Global/Broschyrrer/SF_Statistikbroschyr_2015_web.pdf)

<sup>923</sup> This graph has been extracted from the statistical report of the Swedish Insurance Association 2015. As no real values were provided, the graph has not been re-created.

Figure 59 : Claims ratio, expense ratio, and combined ratio for motor insurance in Sweden



Source: Svensk Försäkring, 2015, Non-life insurance statistics

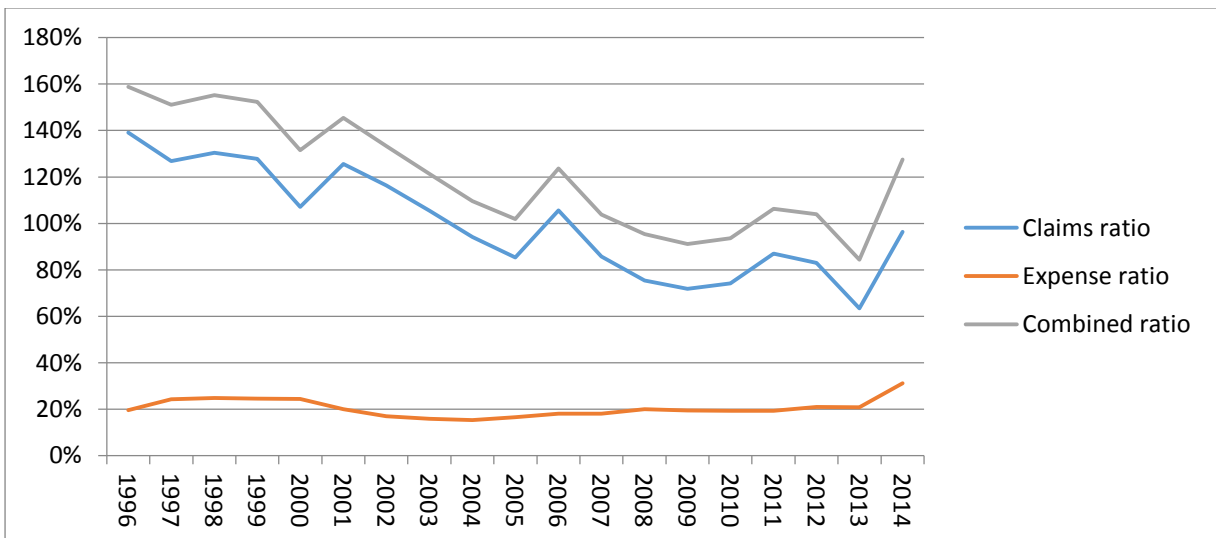
Table 235 : Claims ratio, expense ratio, combined ratio for motor insurance in Sweden

	2011	2012	2013	2014
Claims ratio (%)	77.4	73.2	73.5	71.3
Expense ratio (%)	15.4	15.2	14.7	14.4
Combined ratio (%)	92.8	88.4	88.2	85.7

Source: Svensk Försäkring, 2015, Non-life insurance statistics

Regarding M3PL insurance, the development of the ratios has been less steady between 1999-2014. In particular, a peak can be noted in 2006 for claims ratio and combined ratio. Furthermore, there was a strong increase across the three ratios in 2014.

Figure 60 : Claims ratio, expense ratio, and combined ratio for M3PL in Sweden



Source: Svensk Försäkring, 2015, Non-life insurance statistics

Table 236 : Claims ratio, expense ratio, combined ratio for M3PL in Sweden

	2011	2012	2013	2014
Claims ratio (%)	87.0	83.0	63.5	96.3
Expense ratio (%)	19.4	20.9	20.8	31.2
Combined ratio (%)	106.3	103.9	84.3	127.6

Source: Svensk Försäkring, 2015, Non-life insurance statistics

#### 9.1.4. Car rental insurance

##### *Overview of selected products*

In Sweden, car rental insurance cover of fire and third party liability is mandatory, and is included in all rentals. In this case, third party liability insurance offers 5,6 million EUR (SEK 54 million) to unlimited coverage in case of damage or injury to people or property outside of the rental car. There is also optional coverage which includes collision damage waiver (CDW) and theft protection. These are included in the rental rates. The cost of CDW ranges between 8 and 27 EUR (77 to 260 SEK) per day and for theft protection between 4 to 9 EUR (38 to 87 SEK) per day. If purchased, the CDW and theft protection reduce the excess to 152 – 731 EUR (1,463 – 7,035 SEK)<sup>924</sup>.

In some cases, the consumer is covered through the credit card of the consumer. As indicated by the Swedish Insurance Federation (Svensk Forsakring), this share of the market is small and statistical data is very commercially sensitive.

##### *Overview of the national market*

No information specific to car rental insurance products was available.

##### *Overview of premiums*

No information specific to car rental insurance products was available.

##### *Overview of data on claims*

No information specific to car rental insurance products was available.

#### 9.1.5. Insurance products sold as add-on to other primary products

In Sweden, add-on insurance products are mostly common for electronic products (mobile phones, cameras) and travel insurance. In many cases, such add-on result in consumers having duplicate insurance coverage as these objects are often covered through the household insurance as well. For example, household insurance always includes a travel insurance for at least 45 days.

##### *Overview of the selected products*

Limited information was identified in regard to insurance products sold as add-on to other primary products.

<sup>924</sup> Auto-Europe, Sweden Driving information. Available at: <http://www.autoeurope.com/go/driving-information/sweden/>

Every purchase made by consumers within the EU, Norway or Ireland, is automatically covered by a compulsory legal warranty which cannot be contested by the seller. The duration of the legal warranty for new and second-hand goods is 3 years. In addition, there is also the option of extended warranty which in Sweden covers the following: repair in case of malfunction, firmware updates, preventive maintenance and free shipping.

Household insurance normally includes home emergency insurance without assistance which means that there is limited scope for the involvement of external providers<sup>925</sup>. Home emergency insurance covers, for instance, electronic replacement costs such as household appliances<sup>926</sup>.

Travel insurance (Reseförsäkring) for up to 45 days at least is included in all household insurances. In case of longer travels, or activities considered risky (e.g. extreme sports), an add-on product can be bought. For travel insurance, excess may vary from 0-165 EUR (0-1500 SEK). The insurance normally covers accidents and emergencies, as well as transport back to the country of origin in case of emergency. The geographical scope of the insurance is defined in the insurance certificate and it does not apply when travelling to an area which is classified as a war zone<sup>927</sup>.

Generally, for an add-on product, the sections of cover for travel insurance are the following: medical emergency and associated expenses, trip guarantee, personal belonging, loss of passport, delayed luggage, and missed or delayed departure. The excess can range between 31 and 3,117 EUR (300 and 30,000 SEK).

### *Overview of the national market*

No information specific to add-on insurance products to other primary products was available.

### *Overview of premiums*

No information specific to insurance products sold as add-on to other primary products was available.

### *Overview of data on claims*

No information specific to insurance products sold as add-on to other primary products was available.

## 9.1.6. Sales practices and distribution channels

The interviewees (*Finansinspektionen, Konsumenternas and Svensk Forsäkring*) confirmed that information about distribution channels are collected only for life insurance, therefore only qualitative information regarding practices of insurers could be collected for non-life insurance.

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<sup>925</sup> Finaccord, 2014, Home emergency insurance and assistance in Europe. Available at: [http://www.finaccord.com/uk/tables-of-contents\\_html/home-emergency-insurance-and-assistance-in-europe.htm#sweden](http://www.finaccord.com/uk/tables-of-contents_html/home-emergency-insurance-and-assistance-in-europe.htm#sweden)

<sup>926</sup> If skadeförsäkring, 2016, Home insurance. Available at: [https://www.if.se/web/se/sitecollectiondocuments/private/home\\_insurance\\_summary\\_english.pdf](https://www.if.se/web/se/sitecollectiondocuments/private/home_insurance_summary_english.pdf)

<sup>927</sup> ERV, 2016, terms and conditions for travel insurance smart. Available at: [https://www.erv.se/contentassets/96bb54e62e904aac9b696fba6a8b16df/villkor/engelska/smart/aktuella-villkor/villkor\\_reseforsakring\\_smart\\_eng.pdf](https://www.erv.se/contentassets/96bb54e62e904aac9b696fba6a8b16df/villkor/engelska/smart/aktuella-villkor/villkor_reseforsakring_smart_eng.pdf)

According to interviews conducted, online sales are increasing, in particular among the younger consumers<sup>928</sup>. As a consequence, it is becoming more common that the consumer searches for information on an individual basis through websites and comparison tools providing information online, rather than through direct contact with companies or intermediaries. A number of comparison websites are in place with the aim to guide the consumers. However, one interviewee from Finansinspektionen highlighted that the information provided through these websites may be biased and that consumers should question the information provided. In Sweden, the comparison website provided by Konsumenternas Forsakringsbyra (Consumer Insurance Agency)<sup>929</sup> is independent and was mentioned and highly recommended by all interviewees. The focus of this comparison site is to provide all relevant information regarding content, terms, and conditions, in order to provide high quality advice to the consumers. Other comparison websites tend to focus too much on price, and thus do not provide the full picture, according to a representative of Konsumenternas Forsakringsbyra.

According to this interviewee, websites, insurance advisors and salesmen from the insurance companies are the most commonly used distribution channels. However, also comparison websites and intermediaries are used (often in combination). In addition, the **use of banks as an intermediate was mentioned by the insurance traders' association** to be an important channel. In such cases, the banks represent a specific insurance company and work as an additional branch/channel. Telephone sales also occur for insurance products, according to one of the consumer bodies interviewed (*Konsumenternas forsakringsbyra*). Moreover, this consumer body indicated that household insurance is often provided via trade unions and collective agreements, although consumers may not be aware of this coverage and therefore tend to purchase additional household insurance products via other distribution channels. The positive aspect of having a variety of different channels was mentioned by a representative from the industry association (*Svensk Försäkring*). According to a Swedish institute for consumer satisfaction, consumers buying their insurance through comparison websites are overall less satisfied<sup>930</sup>.

In regard to future trends, interviewees mentioned that information and sales will be increasingly digital. The development of other technologies (e.g. fintech) was mentioned. It was also said by a consumer association (*Konsumenternas forsakringsbyra*) that it is possible that cross-border transactions might increase, however, this will take time. Furthermore, it was expressed in the interviews that there should be more independent advisors. This would be ensured by prohibiting provisions for the sales made per advisor/intermediate. The current system which is based on provisions for the salesman, may contribute to further difficulties or confusion for the consumer who might not receive independent advice<sup>931</sup>.

The most common discriminatory practices in Sweden are related to higher premiums for young people in motor insurance and age limitation for travel insurance. For example, young drivers are deemed to constitute a higher risk and the risk tends to lessen with age. Therefore, the price of premiums depends on **consumers' age**<sup>932</sup>. Travel insurance applies **only for people who have not reached 70 years' old before the departure**<sup>933</sup>.

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<sup>928</sup> Supervisory authority, industry associations

<sup>929</sup> Available at: <http://www.konsumenternas.se/om-oss/forsakringsbyran>

<sup>930</sup> Svenskt Kvalitetsindex. Available at: [www.kvalitetsindex.se](http://www.kvalitetsindex.se)

<sup>931</sup> Association for Insurance Traders

<sup>932</sup> Länsförsäkring, 2015, Motor Insurance. Available at: <https://www.lansforsakringar.se/globalassets/aa-global/dokument/information/01523-broschyr-personbil-eng.pdf>

<sup>933</sup> ERV, 2016, terms and conditions for travel insurance smart. Available at: [https://www.erv.se/contentassets/96bb54e62e904aac9b696fba6a8b16df/villkor/engelska/smart/aktuella-villkor/villkor\\_reseforsakring\\_smart\\_eng.pdf](https://www.erv.se/contentassets/96bb54e62e904aac9b696fba6a8b16df/villkor/engelska/smart/aktuella-villkor/villkor_reseforsakring_smart_eng.pdf)

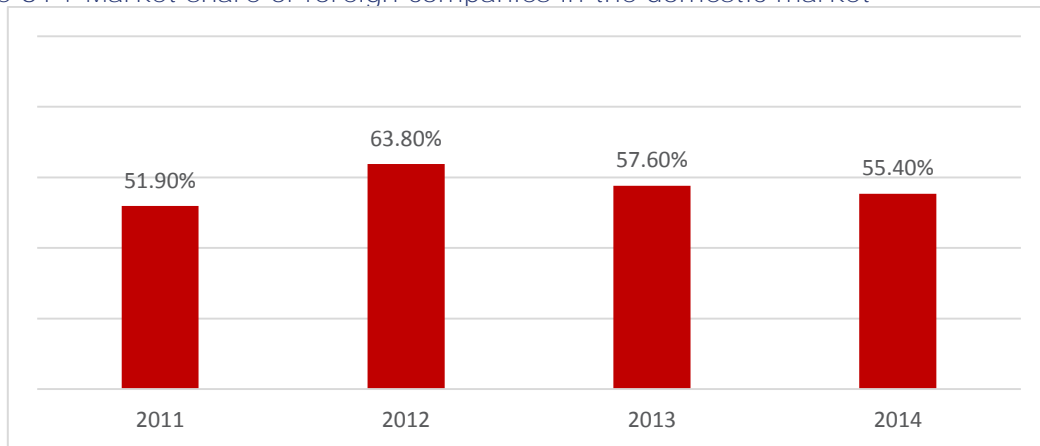
### 9.1.7. Key features of cross-border transactions

#### *Cross-border sales*

The EU directives in the insurance sector have been implemented into the Swedish law. Therefore, foreign insurance activities which handle insurance business in Sweden must comply with Swedish laws, regulations, decisions and regulatory code from Swedish authorities and answer in the Swedish courts of law. The Swedish Financial Supervisory Authority (Finansinspektionen) is in charge of supervising all the activities of foreign insurance activities in terms of consumer protection, insurance contract practices and insurance business practices. Hence, all foreign insurance activities must provide Finansinspektionen with information related to their activities necessary for the supervision<sup>934</sup>. Insurers who have residence outside the EEA must be granted concession in order to carry out insurance operations in Sweden<sup>935</sup>. The terms and conditions of all insurance contracts in Sweden must comply with Försäkringsavtalslagen (2005:104) [Insurance Contracts Act], which contains information prerequisites, for instance language requirements, all benefiting the consumer<sup>936</sup>.

The figure below is based on data from the OECD Insurance Statistics 2015<sup>937</sup> and illustrates the market share of foreign companies in the domestic market, in Sweden:

Figure 61 : Market share of foreign companies in the domestic market



Source: OECD, (2016), OECD Insurance Statistics 2015

Interviewees (Finansinspektionen, Konsumenternas and Soderberg & Partners) agreed that cross-border transactions in the insurance market are rare, although the supervisory authority noted that the cross-border transactions are slightly more common between the Nordic countries. However, the same interviewees agreed that the demand for cross border products is still relatively low as consumers are satisfied with the range of products offered in Sweden, hence they do not shop abroad.

#### *Main factors limiting cross-border insurance purchases*

Interviewees (Finansinspektionen, Konsumenternas and Soderberg & Partners) explained that language is one potential obstacle limiting cross border sales. This is particularly

<sup>934</sup> Finansinspektionen, 2014, Cross-border services in Sweden. Available at: [http://www.fi.se/upload/90\\_English/40\\_Authorisation/notification/cross-border-services-in-sweden-2014-03-04n.pdf](http://www.fi.se/upload/90_English/40_Authorisation/notification/cross-border-services-in-sweden-2014-03-04n.pdf)

<sup>935</sup> Practical Law, 2016, Insurance and reinsurance in Sweden: overview. Available at: <http://uk.practicallaw.com/8-518-2519>

<sup>936</sup> Finansinspektionen, 2014, Cross-border services in Sweden. Available at: [http://www.fi.se/upload/90\\_English/40\\_Authorisation/notification/cross-border-services-in-sweden-2014-03-04n.pdf](http://www.fi.se/upload/90_English/40_Authorisation/notification/cross-border-services-in-sweden-2014-03-04n.pdf)

<sup>937</sup> OECD, (2016), OECD Insurance Statistics 2015. Available at: [http://dx.doi.org/10.1787/ins\\_stats-2015en](http://dx.doi.org/10.1787/ins_stats-2015en)

relevant for understanding the terms and conditions. Furthermore, the complexity of the claim process and lack of knowledge regarding local regulations were also mentioned as factors limiting cross-border insurance purchases.

*Interventions to increase cross-border demand*

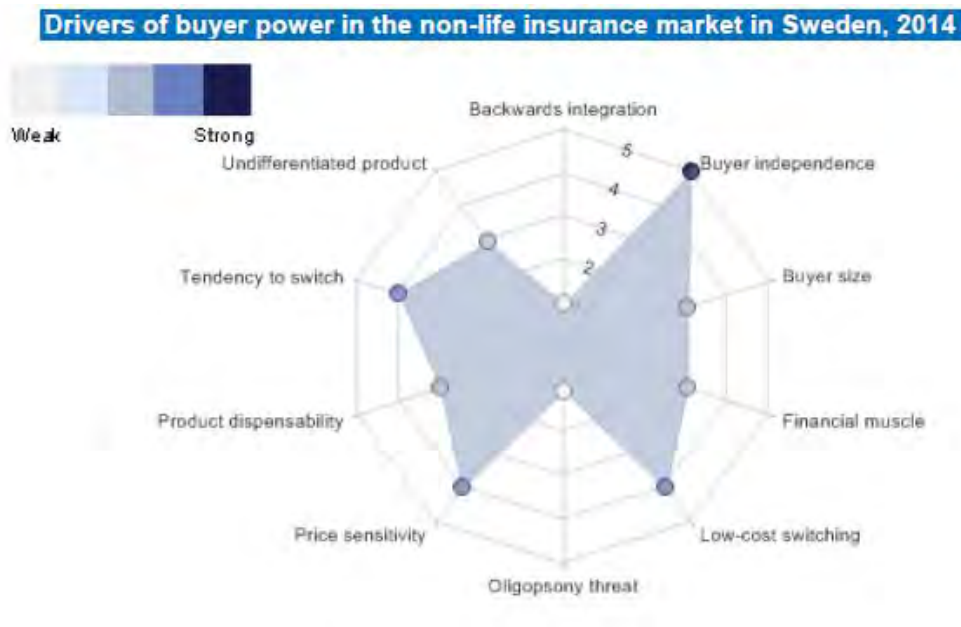
As mentioned above, the demand for cross-border products is relatively low as customers are seemingly satisfied with the products available in Sweden. No specific public or private intervention to increase cross-border demand were identified.

9.2. Consumer decision-making in the non-life insurance market- evidence from Sweden

9.2.1. Consumer understanding

There is an increased market concentration in non-life insurance services which means that the number of competitors diminishes. Consumer loyalty in the non-life insurance sector is low, mainly because they are willing to purchase the optimal deal in terms of price and the level of coverage provided by the insurance firm. Access to information allows customers to compare services, mainly through comparison websites and blogs. Another option is provided by insurance brokers, which operate as consultants and offer expertise on insurance services. Although it incurs an extra cost, it is deemed to generate long-term savings for customers. The figure below presents the drivers of buyer power in non-life insurance market in Sweden in 2014, where buyer independence represents the strongest driver<sup>938</sup>.

Figure 62 : Drivers of buyer power in the non-life insurance market in Sweden, 2014



Source: MarketLine Industry Profile, 2015, Non-Life Insurance in Sweden

According to the interviews conducted (Finansinspektionen and Konsumenternas), consumers tend to focus on price when purchasing an insurance product, rather than the scope and quality of the product. The complexity of the information provided related to

<sup>938</sup> MarketLine Industry Profile, 2015, Non-Life Insurance in Sweden



this sector has been mentioned by Finansinspektionen as a factor limiting the consumer understanding.

### 9.2.2. Type of problems

According to The Swedish Consumer Report (2015), the majority of complaints received **by the Swedish Consumers' Insurance Bureau are related to insurance policies. Various consumers consider that their insurance policy was not in conformity with their needs. The main issue is related to transparency and among non-life insurance services, home insurance is deemed to be particularly problematic for consumers**<sup>939</sup>.

One problem that was highlighted by the supervisory authority, Finansinspektionen, is **consumers' difficulty in judging whether an advice is independent. In particular, this** relates to the comparison websites that may be biased or influenced by the companies subscribing to their services. The importance of transparent, independent information based on both price and content/coverage was noted by the industry representatives. Another problem that was mentioned is that the consumers are rarely aware of the real value of their possessions and they take smaller covers, which leads to underinsurance. Furthermore, as noted by the supervisory authority interviewee, consumers are considered the weaker part in insurance contracts, and this fact should be taken into account in case of disagreements.

### 9.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

The insurance companies are responsible for handling complaints and providing remedies. The supervisory authority (Finansinspektionen) can take part and follow the decisions made by the insurance companies, however this is not done systematically. Their role is to make sure that there is a complaints mechanism in place and that it is conducted in a correct and regular way. Overall, according to a representative from the supervisory authority (Finansinspektionen), the complaint mechanism seems to be working effectively and the Consumer Insurance Agency has an important role in informing and empowering the consumer in this process and provides guidance for consumers on how to file a complaint (further details below).

The complaint procedure in Sweden starts with the consumer going back to the insurance company. Every insurance company has an internal complaint body that handles the complaints<sup>940</sup>. In a second step, if the complaint made to the insurance company has not been resolved to consumer satisfaction, the consumer can transfer the same complaint to the National Board for Consumer Disputes (ARN – Almäna reklamationsnämnden<sup>941</sup>). This public authority will independently review complaints that have been handled by the insurance companies. In addition to ARN, there are also some industry specific complaint boards<sup>942</sup> administered by the Boards of Insurance Sweden<sup>943</sup>. These boards provide alternative dispute resolutions. In case the complaint has not been resolved by any ADR body, consumers can take the complaint to court. However, according to the consulted

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<sup>939</sup> Konsumentverket, 2015, The Swedish Consumer Report, The consumer situation in different markets. Available at: <http://www.konsumentverket.se/Global/Konsumentverket.se/Best%C3%A4lla%20och%20ladda%20ner/rapporter/2015/Konsumentrapporten-2015-ENG-kov.pdf>

<sup>940</sup> For example, the *Folksam* consumer ombudsman, <http://www.folksam.se/kundservice/flera-satt-att-kontakta-oss/om-du-inte-ar-nojd/kundombudsmannen>

<sup>941</sup> National Board for Consumer Disputes, [www.arn.se](http://www.arn.se)

<sup>942</sup> Board for Insurance of Persons, Board for Bodily Injury Liability Insurance, Board for Counsels of Expenses, Board for Legal Protection Insurance Issues, Life Insurance Companies Tax Board, Review Procedure for Suitability of Representatives

<sup>943</sup> Svensk Försäkrings Nämnder, <http://www.forsakringsnamnder.se/Footer-meny/English/>



interviewees, this occurs rarely as it might be costly and time-consuming. In some cases, the Swedish Consumer Agency can take the complaint forward for the consumer through the Consumer ombudsman. This can be done when the judgment of the case may have an impact on the application of the law or if there are other specific reasons<sup>944</sup>. As the initial complaints are made to each insurance company, no data was identified on the total number of complaints. However, the table below provides an overview of the complaints concerning insurance (non-life and life) received and handled by the Swedish Board for Consumer Disputes during the period 2013-2015.

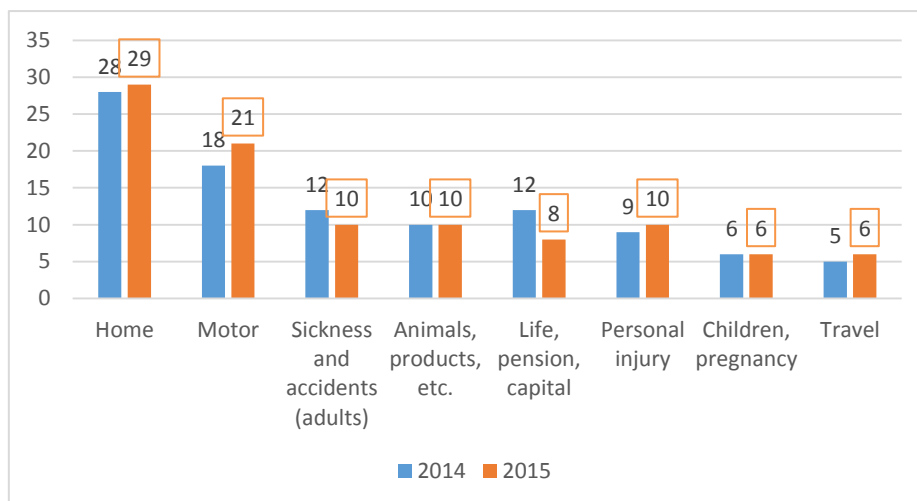
Table 237 : Consumer complaints regarding insurance received by the National Board for Consumer Disputes

Insurance (overall)	2013	2014	2015
Number of complaints	996	988	801
Number of handled complaints	490	479	380
Consumer being right (%)	11%	10%	12%
Companies following the recommendations made (%)	98%	98%	91%

Source: National Board for Consumer Disputes

The Consumer Insurance Agency is an independent foundation supported by the Swedish Consumer Agency, the Supervisory Authority (FI), and Swedish Insurance (sector organisation). As all contacts with consumers are registered, an extensive database has **been built which is of importance to both authorities and the sector, indicating consumers’ preferences and difficulties encountered**. Where various similar complaints are made regarding a specific company, or situation/behaviour, this is communicated to the sector or authorities. Out of the enquiries received in 2015 (about 11 000 in total), 52% were complaints about insurance products<sup>945</sup>. The figure below demonstrates the complaints received per insurance category.

Figure 63 : Complaints registered per insurance category



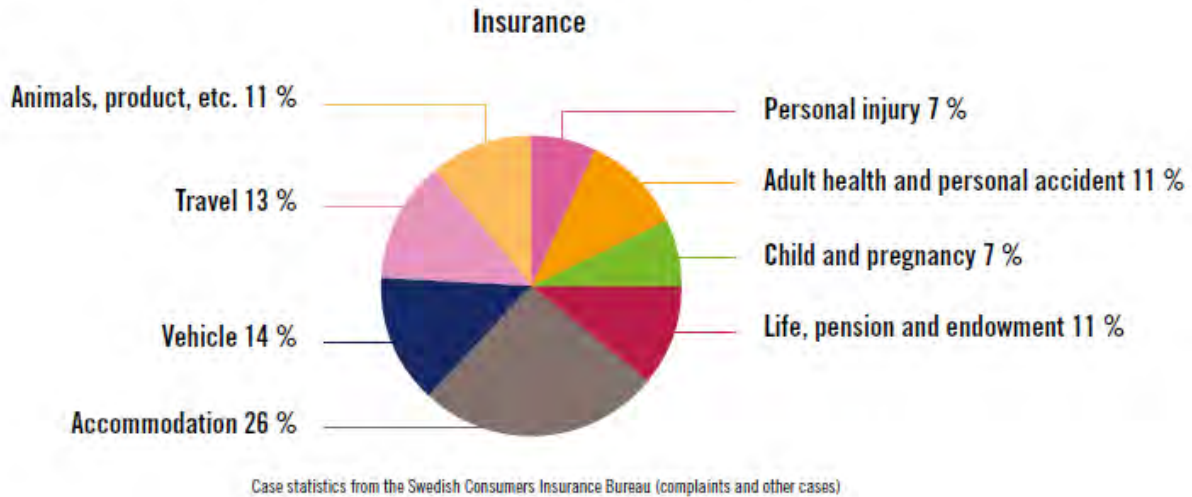
Source: Konsumenternas Consumer Insurance Agency, (2015), Yearly report

<sup>944</sup> Complaints guide, Consumer Insurance Agency, <http://www.konsumenternas.se/om-klagoguiden/klaga-i-ett-forsakringsarende>

<sup>945</sup> Konsumenternas, 2015, Yearly report. Available at: <http://www.konsumenternas.se/globalassets/pdf/kfb-vb-2015.pdf>

In the figure below it can be observed that the Insurance Bureau's statistics has registered the highest number of complaints in regard to home insurance (26%), followed by motor insurance (14%).

Figure 64 : Case statistics from the Swedish Consumers Insurance Bureau (complaints and other cases)



Source: The Swedish Consumer Agency, 2015, The Swedish Consumer Report 2015

During the interview with the Consumer Insurance Agency (Konsumenternas), it was indicated that many of the complaints received about insurance are based on misunderstandings of the terms and conditions regarding what is actually covered or not.

#### *Overview of consumer complaints for household insurance*

In 2015, 29% of the complaints received by the Consumer Insurance Agency concerned house and property. According to the Swedish Consumer Report (2015), within the insurance sector, home insurance has been deemed to be particularly problematic. Most complaints concern claims adjustment and compensation related to leakage damage. In this sense, consumers consider that the contractor is not doing enough to resolve the issue. This is due to a low level of communication, where at least three parties are involved: the consumer, the tradesman and the insurance company<sup>946</sup>.

According to the European Commission 2016 Consumer Market Scoreboard<sup>947</sup> and as illustrated in Table 10 of Annex I, 2% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 5.4 on a 0-10 range. 80.7% of the respondents having experienced at least one problem complained, including 80.7% to their retailer/provider and 7.8% to third-party complaint bodies. Thus, the share of Swedish consumers having experienced problems and their level of detriment are below the EU 28 average. The share of Swedish respondents who complained after experiencing a problem is close to the EU 28 average,

<sup>946</sup> Konsumentverket, 2015, The Swedish Consumer Report, The consumer situation in different markets. Available at: <http://www.konsumentverket.se/Global/Konsumentverket.se/Best%C3%A4lla%20och%20ladda%20ner/rapporter/2015/Konsumentrapporten-2015-ENG-kov.pdf>

<sup>947</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

but with one third more complaints to retailers/producers and less complaints to third-party complaint bodies compared to the EU 28 average.

#### *Overview of consumer complaints for motor insurance*

21% of complaints received by the Consumer Insurance Agency in 2015 were related to motor insurance<sup>948</sup>.

According to the European Commission 2016 Consumer Market Scoreboard<sup>949</sup> and as illustrated in Table 10 of Annex I, 6.5% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 3.9 on a 0-10 range. 88.1% of the respondents having experienced at least one problem complained, including 72.8% to their retailer/provider and 15.4% to third-party complaint bodies. Thus, the share of Swedish consumers having experienced problems is higher than the EU 28 average but their level of detriment is below. The share of Swedish respondents who complained after experiencing a problem is higher than the EU 28 average, with more complaints to retailers/producers and to third-party complaint bodies compared to the EU 28 average.

#### *Overview of consumer complaints for car rental insurance*

No data specific to car rental insurance products were available.

#### *Overview of consumer complaints for add-on insurance*

No information specific to insurance products sold as add-on to other primary products was available.

#### *Cross-border consumer complaints*

No data could be found in regard to cross-border complaints. However, interviewees (*Finansinspektionen and Konsumenternas*) agreed that cross-border complaints were rare.

#### 9.2.4. Access to information

Since 1979, the Consumer Insurance Agency (Konsumenternas) has been providing consumers independent advice regarding the insurance products available in Sweden. The Agency also runs a comparison website. Through a system of points assigned to different aspects of the product, the website gives the consumer an indication of which insurance product to purchase through a ranking. The comparisons through points/scores take into consideration the content, and terms and conditions of each insurance product to provide the consumer with a high-quality advice, while the into-depth comparison also considers the price. Various insurance categories are included (motor, children, household), as well as 24 of the largest insurance companies in Sweden. In 2015, there were about 1 million visits to the website<sup>950</sup>.

The figure below provides an example of the comparison website based on the points system and household insurance. The column to the left lists the companies while the other columns list the content of the insurance product and the related score assigned

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<sup>948</sup> Konsumenternas, 2015, Yearly report. Available at: <http://www.konsumenternas.se/globalassets/pdf/kfb-vb-2015.pdf>

<sup>949</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>950</sup> Konsumenternas, 2015, Yearly report. Available at: <http://www.konsumenternas.se/globalassets/pdf/kfb-vb-2015.pdf>

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(e.g. burglary, fire and water damage, travel insurance, excess and so on), as well as the overall score for the product.

Figure 65 : Comparison website provided by the Consumer Insurance Agency – points based comparison

Företag	Poäng	Inbrott och stöld	Brand-, vatten- och naturskador	Reseskydd	Överfalls-, ansvars- och rättsskydd	Mervärden	Självrisker	Svenskt kvalitetsindex
WaterCircles Super	4,0	4,1	5,0	4,4	4,4	3,1	2,9	
WaterCircles *	3,4	3,9	5,0	3,5	4,4	0,7	2,9	
Vardia Stor hem	4,1	3,7	4,7	4,1	4,0	4,6	3,6	
Vardia *	3,4	3,7	4,7	3,5	3,8	1,3	3,3	
Trygg-Hansa	3,6	4,5	4,7	3,3	4,0	2,1	3,2	68,7
Swedbank via Tre Kronor - Plus	4,3	4,7	5,0	4,3	4,2	4,4	3,2	
Swedbank via Tre Kronor - Bas*	3,2	2,7	4,5	3,6	3,9	1,6	3,2	
Sveland *	3,2	3,2	4,7	3,3	4,1	0,9	3,2	
Moderna Large	4,3	4,7	5,0	4,6	4,0	4,2	3,2	
Moderna *	3,6	3,8	5,0	3,9	4,0	1,6	3,2	
Länsförsäkringar 8 län - hemförsäkring	4,3	4,7	4,7	4,5	3,9	4,5	3,2	73,6

Source: Konsumenternas Forsäkringsbyrå

The in-depth comparison provides further details about the different products offered by the insurance companies. The below figure gives the example of travel insurance as included in the household insurance, and the scope of such insurance (amount of days, emergency care, emergency transports, compensation for holidays, cancellations and delays).

Figure 66 : Comparison website provided by the Consumer Insurance Agency – into-depth comparison

- Reseskydd <span style="float: right;">+ Mer Information</span>						
Reseskyddet ger ett bra grundskydd om du drabbas av sjukdom eller olycka på en resa. Betalar du resan med kort ingår dessutom ofta ett avbeställningsskydd genom korfförsäkringen. Förläng reseskyddet innan du åker, om du ska vara borta under längre tid än det antal dagar som försäkringen gäller för. Antingen genom att förlänga hemförsäkringens antal dagar eller skaffa en särskild reseförsäkring.						
	Antal dagar	Akut sjukvård	Hemtransport	Förstörda semesterdagar per dag/totalt	Avbeställningsskydd	Förseningar person / bagage
Aktsam (2015-06-10)	45 dagar	Ja	Ja	Dagsandel / 5 000 kr	+ Nej	5 000 kr / 300 kr per kolla efter 24 timmar (max 1 200 kr per kolla)
Dina Försäkringar (2016-06-13)	45 dagar	Ja	Ja	500 kr / 22 500 kr	+ Nej	15 000 kr / 1 200 kr per försäkrad efter 8 tim (max 6 000 kr)
Folksam Bas (2016-01-04)	45 dagar	Ja	Ja	1 000 kr / 20 000 kr	+ Nej	0 kr / 500 kr per kolla efter 24 timmar (max 1 000 kronor per kolla)
Folksam Mellan (2016-01-04)	45 dagar	Ja	Ja	1 000 kr / 20 000 kr	+ Nej	0 kr / 500 kr per kolla efter 24 timmar (max 1 000 kronor per kolla)
Folksam Stor (2016-01-04)	45 dagar	Ja	Ja	1 000 kr / 20 000 kr	+ Ja	5 000 kr / 500 kr per kolla efter 24 timmar (max 1 000 kronor per kolla)
Gjensidige (2015-04-27)	45 dagar	Ja	Ja	500 kr / 5 000 kr	+ Nej	+ Nej
ICA Försäkring (2015-11-06)	60 dagar	Ja	Ja	1 000 kr / 10 000 kr	+ Nej	5 000 kr / 5 000 kr
ICA Försäkring Hem Plus (2015-11-06)	60 dagar	Ja	Ja	1 000 kr / 10 000 kr	Ja	5 000 kr / 5 000 kr
If (2015-09-23)	45 dagar	Ja	Ja	600 kr / 40 000 kr	Nej	Nej

Source: Konsumenternas Forsäkringsbyrå

In May 2015, Svensk Försäkring issued a recommendation to all insurance companies regarding information provided to the consumer prior to the purchase<sup>951</sup>. The recommendation includes requirements on simplified and accessible information to provide the consumer with an overview of the specific insurance product. This recommendation aims at clarifying and complementing what is already established by law to enable the consumer to make an informed decision. It should be noted that this information is different from the terms and conditions of the insurance product that need to be provided to the consumer at a later stage.

According to an interviewed consumer body (Konsumenternas), comparison websites provide added value to the consumer overall, as they make them more aware and active in their choice of insurance provider. The most popular sources of information are the **insurance companies' websites and the insurance companies' advisors**. While the digital aspect is important, the personal contact continues to be considered valuable. The Consumer Insurance Agency (Konsumenternas) reported that the number of visits to their website increases every year. Furthermore, as there is more and more information available online, the questions received through phone calls and emails are increasingly complex.

### 9.2.5. Switching behaviour

According to the Swedish Consumer Report (2013), consumers perceive switching between suppliers to be the easiest for vehicle and home insurance<sup>952 953</sup>. Similarly, one consumer association interviewee (Konsumenternas) noted that switching rates vary between categories, however, it was considered that the highest rate of switching is within motor insurance<sup>954</sup>. The costs of motor insurance tend to be high and therefore the consumers often select their product based on price.

The supervisory authority interviewee (Finansinspektionen) agreed that the switching rate is low overall. According to the Consumer Insurance Agency (Konsumenternas), one of the main reasons why consumers do not switch between providers is that they worry there will be a gap in between two insurance contracts.

### 9.2.6. Consumer awareness

No specific awareness campaigns were identified. However, the Swedish Consumer Agency generally has information campaigns every year focusing on a specific theme (specific product etc.). While this is not only related to insurance, it offers an important awareness raising action which often also gets the attention of the media. Consumer awareness can be identified also in the price, when people are able to determine and make comparisons. Not exploring the alternatives available on the market leads to higher risks when purchasing a product and subsequently to customer dissatisfaction. In this sense, the Swedish Consumer Report found that price awareness ranks among the highest for vehicle insurance, among other services<sup>955</sup>.

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<sup>951</sup> Svensk Försäkring, 2015, Recommendation regarding information provided to consumer prior to purchase, <http://www.svenskforsakring.se/PageFiles/8395/Korrekt%20Reviderad%20rekommendation%20om%20f%C3%B6rk%C3%B6psinformation.pdf?epslanguage=sv>

<sup>952</sup> Konsumentverket, 2013, The Swedish Consumer Report, Consumer Conditions in Sweden. Available at: <http://www.konsumentverket.se/Global/Konsumentverket.se/Best%C3%A4lla%20och%20ladda%20ner/rapporter/2013/report-2013-8-swedish-consumer-report-2013.pdf>

<sup>953</sup> The question was asked within 12 markets and the value of the assessment scales from 0 to 10 (0=difficult, 10=easy).

<sup>954</sup> Interview with supervisory authority: interview with the Consumer Insurance Agency

<sup>955</sup> Konsumentverket, 2013, The Swedish Consumer Report, Consumer Conditions in Sweden. Available at: <http://www.konsumentverket.se/Global/Konsumentverket.se/Best%C3%A4lla%20och%20ladda%20ner/rapporter/2013/report-2013-8-swedish-consumer-report-2013.pdf>

### 9.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from Sweden

#### 9.3.1. Factors potentially leading to problems with consumer decision-making

The Swedish Consumer Report found that, although consumers receive a reasonably large amount of information, in most of the cases it is not the type of information that they are able to absorb<sup>956</sup>. From the interviews conducted (Finansinspektionen and Konsumenternas), it has been found that the main issue leading to problems with the consumer decision-making seems to be the complexity of the information provided and of insurance products in general. In addition, it is difficult for the consumers to deal with the information overload.

#### 9.3.2. Remedies that have been proposed or put in place

The Consumer Insurance Agency (Konsumenternas) provides an independent comparison website, comparing the products across the market and giving an idea of their difference in prices, content, and scope.

The Swedish Consumer Report<sup>957</sup> acknowledges the issues faced by consumers, particularly with home insurance, and proposes guidelines to help reduce the issues:

- Insurance companies ought to require the tradesman or the companies they have agreements with to resolve the issue to be skilled and trustworthy;
- Consumers should place their demands with the insurance companies in order for the repairs to be based on the insurance terms and conditions;
- If the consumers are not satisfied with the tradesman allocated by the insurance company, it should be examined whether consumer can arrange a different one, but still paid by the insurance company;
- Consumers need to enhance documenting what they have been promised by the insurance company;
- Work by tradesman should be agreed in advance by using the Tradesman form drafted by the Swedish Consumer agency in cooperation with the Swedish Construction Federation and the Swedish Homeowners Association.

**Generally, consumers tend to complain about insurance companies' depreciation as a result of age, this indicating that there is a need for the insurance companies to provide more clarity in terms of management and terms and conditions<sup>958</sup>.**

Finally, the InsureSec register for intermediaries is an initiative put in place to enable all consumers to verify the competence of specific intermediaries. Information on licenses, tests, and degrees are also included. Through the register, the consumer can make sure that the trader has up-to-date competence in the field and that the level of experience and knowledge is documented. Furthermore, if one specific trader misbehaves, a board of discipline is in place and one consequence for misconduct can be the exclusion from

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<sup>956</sup> Konsumentverket, 2013, The Swedish Consumer Report, Consumer Conditions in Sweden. Available at: <http://www.konsumentverket.se/Global/Konsumentverket.se/Best%C3%A4lla%20och%20ladda%20ner/rapporter/2013/report-2013-8-swedish-consumer-report-2013.pdf>

<sup>957</sup> Konsumentverket, 2013, The Swedish Consumer Report, Consumer Conditions in Sweden. Available at: <http://www.konsumentverket.se/Global/Konsumentverket.se/Best%C3%A4lla%20och%20ladda%20ner/rapporter/2013/report-2013-8-swedish-consumer-report-2013.pdf>

<sup>958</sup> Konsumentverket, 2015, The Swedish Consumer Report, The consumer situation in different markets. Available at: <http://www.konsumentverket.se/Global/Konsumentverket.se/Best%C3%A4lla%20och%20ladda%20ner/rapporter/2015/Konsumentrapporten-2015-ENG-kov.pdf>

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InsureSec<sup>959</sup>. The added value of this register is that the trader/the individual person is in focus, and not a specific company. This way, the register prevents that a trader continues his/her activities and misconduct through another company, and also makes sure that a company is not penalised for misconduct by one specific trader<sup>960</sup>.

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<sup>959</sup> InsureSec. Available at: <http://www.insuresec.se/>

<sup>960</sup> Association for insurance intermediaries



## 10. Country Report: United Kingdom

### 10.1. Non-life insurance market

#### 10.1.1. Non-life insurance in the UK

##### *Overview of the national market*

The UK's insurance market (life and non-life) is the third largest in the world after the United States and Japan, and the first in the EU. The sector generates 29 billion GBP (33.8 billion EUR), and employs 334,000 people<sup>961</sup>. In 2013, the number of non-life insurance contracts excluding health amounted to 44,056,907 and the number of non-life contracts including health equalled 47,799,675<sup>962</sup>.

In terms of penetration, table 1 of Annex I illustrates non-life insurance's evolution between 2011 and 2014. According to the table, the share of the GDP owed to non-life insurance premiums (including health) in the UK decreased by 0.6% between 2011 and 2014, from 3.6% to 3.0% of the country's GDP. Non-life penetration (excluding health) decreased from 3.3% in 2011 to 2.6% in 2014.

Non-life insurance density is described in table 2 of Annex I. Between 2011 and 2014, non-life insurance density excluding health was above 9,000 EUR and non-life insurance density including health was above 1,000 EUR. While density was at its highest in 2012, it since recorded a year-on-year decrease.

In 2015, there were 903 non-life insurance (or general insurance) companies operating in the UK, 340 being UK authorised and 563 from another EU Member State authorised through the EU Third Non-Life Directive, i.e. freedom of establishment (FE) and freedom to provide services (FPS)<sup>963</sup>.

The most important non-life insurance market players in the UK are currently Aviva<sup>964</sup>, RBS<sup>965</sup> and AXA<sup>966</sup>. In 2012, the groups respectively held 12% (6,742 million EUR GWP), 8% (4,635 million EUR GWP) and 8% (4,331 million EUR) of the non-life insurance market<sup>967</sup>. That same year, the top 5 companies held 41% of the non-life insurance market share, the top 10 held 62% and the top 15 represented 76% of the market share. The UK non-life insurance market is thus less concentrated than most other EU Member States.

The main law under which insurance firms must operate is the EU Solvency II Directive<sup>968</sup>. It ensures that insurers have enough capital set aside to provide reserve funds to cover all insurance claims that they could potentially receive.

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<sup>961</sup> ABI, 2016, UK Insurance & Long Term Savings Key Facts 2015. Available at: [https://www.abi.org.uk/~/\\_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf](https://www.abi.org.uk/~/_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf)

<sup>962</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

<sup>963</sup> Council Directive 92/49/EEC of 18 June 1992 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life insurance. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31992L0049&from=EN>

<sup>964</sup> <http://www.aviva.co.uk>

<sup>965</sup> <http://www.rbs.co.uk/>

<sup>966</sup> <http://www.axa.co.uk/home.aspx>

<sup>967</sup> Insurance Europe, 2016, European insurance industry database. Available at: <http://www.insuranceeurope.eu/european-insurance-industry-database>

<sup>968</sup> Directive 2009/138/EC of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast). Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0138&from=en>



The national supervisory authority regarding non-life insurance in the UK is the Financial Conduct Authority (FCA)<sup>969</sup>, which regulates 56,000 financial services firms and financial markets in the UK, including insurance, under the Financial Services and Markets Act 2000<sup>970</sup>. The FCA is an independent public body funded entirely by the firms they regulate, through the charging of fees. One of their main duties is to implement, supervise and enforce EU and international standards and regulations in the UK.

In addition, the FCA also carries out market studies and published handbooks as well as guidelines for firms. All FCA regulated insurance firms must meet their conduct rules, set out in our Insurance Conduct of Business Sourcebook (ICOBS)<sup>971</sup>. These rules cover issues such as the suitability of the product, the disclosure of information to consumers and claim handling procedures. Indeed, under the ICOBS, firms must provide appropriate information about the policy so that the customer can make an informed decision. Namely, the insurer must inform the customer about the law applicable to the contract, the arrangements for handling policy holders complaints and the conditions for cancellation. A consumer has a right to cancel, without penalty and without giving any reason, within 30 days for a pure protection contract or payment protection contract; or 14 days for any other contract of insurance or distance contract. In addition, a firm must ensure that the advice given to consumers is suitable.

Regarding prudential regulation, while 24,000 of the 56,000 firms regulated by the FCA are also prudentially regulated by them (i.e. in terms of financial strength), the rest are under the authority of the Prudential Regulation Authority (PRA)<sup>972</sup>. The PRA is responsible for the prudential regulation and supervision of around 1,700 banks, building societies, credit unions, insurers and major investment firms. Regarding insurance firms specifically, they are responsible for securing an appropriate degree of protection for insurance policyholders.

Insurance firms are therefore regulated by both the FCA and the PRA. Unless an exemption applies, UK based insurers and intermediaries must be authorised by each authority.<sup>973</sup> Both applications are carried out by filling in a form and sending it to the authorities, which will review it and deliberate on whether to authorise the new firm to do business.

**The UK government's** Competition and Markets Authority (CMA)<sup>974</sup> aims to promote competition for the benefit of consumers. The CMA is an independent non-ministerial department, which cooperates with sector regulators (including FCA for insurance) and encourages them to foster competition.

With regard to taxation, there is an Insurance Premium Tax (IPT)<sup>975</sup> in the UK, which is a percentage of the premium that insurers must pay to the UK government for every premium they receive. Its scope is under taxable insurance contracts<sup>976</sup>, and all insurance products considered in the scope of the study are liable to IPT. The standard rate is 9.5% of the premium<sup>977</sup>, while there is a higher rate of 20% for insurance supplied with selected

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<sup>969</sup> [www.the-fca.org.uk](http://www.the-fca.org.uk)

<sup>970</sup> Financial Services and Markets Act 2000. Available at: <http://www.legislation.gov.uk/ukpga/2000/8/contents>

<sup>971</sup> FCA, 2016, Insurance Conduct Business Sourcebook. Available at: <https://www.the-fca.org.uk/firms/insurance-conduct-business-sourcebook-icobs>

<sup>972</sup> <http://www.bankofengland.co.uk/pru/pages/default.aspx>

<sup>973</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>974</sup> [www.gov.uk/government/organisations/competition-and-markets-authority](http://www.gov.uk/government/organisations/competition-and-markets-authority)

<sup>975</sup> <https://www.gov.uk/government/publications/notice-ipt-1-insurance-premium-tax/notice-ipt1-insurance-premium-tax>

<sup>976</sup> IPT does not apply to contracts entered into by insurers, which are not contracts of insurance, even if they are treated as insurance for regulatory purposes. Neither does it apply to guarantees and financial instruments.

<sup>977</sup> This will increase to 10% as of 1<sup>st</sup> October 2016. Source: Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

goods and services, including for suppliers of motor vehicles who also sell insurance policies.

The main association for insurance firms in the UK (life and non-life) is the Association of British Insurers (ABI)<sup>978</sup>. It has over 250 member companies, representing over 90% of the UK insurance market. The Association contributes to public policy debates, carries out research and policy studies towards developing new ideas and informing the sector, it also promotes the highest standards of customer service and supports a competitive insurance industry.

The Insurance Distribution Directive (IDD)<sup>979</sup> is expected to strengthen the standards and professionalism from insurance companies as well as insurance intermediaries, creating fairer outcomes for consumers regarding insurance distribution, as the playing field between distributors and consumers is expected to be more balanced according to the **British Insurance Broker's Association (BIBA)**<sup>980</sup>. However, during interviews carried out in the context of the study, the Financial Inclusion Centre mentioned that the IDD could have limited impacts on the supply of non-life insurance products.

#### *Overview of premiums*

At EU scale, 71% of total non-life premiums were written in Germany, the UK, France, the Netherlands and Italy<sup>981</sup>, this demonstrating the large share of the UK in the European non-life insurance market.

According to Table 5 of Annex I, gross written premiums (GWP) recorded a high in 2012, before decreasing the following years, to 65,648 million EUR including health and 58,685 million EUR excluding health in 2014.

No data were publicly available on earned premiums.

#### *Overview of data on claims*

Table 7 of Annex I illustrates overall data on claims relating to non-life insurance in the UK between 2011 and 2014. According to the table, the amount paid out in claims by insurance companies was highest in 2013, with close to 50,000 million EUR paid out. It was lowest the following year, at 40,492 million EUR.

Regarding ratios, the figures are detailed in Tables 7 and 8 of Annex I for the 2011-2013 period. Between 2011 and 2013, the loss ratio (i.e. claims ratio) was at its highest in 2012, reaching 68%, and its lowest in 2013 with 53%. The expense ratio increased by 1 percentage point every year during that period. Therefore, the combined ratio was at 87% in 2012, while it dropped to 73% the following year, thus indicating an increase in profitable underwriting for the non-life insurance sector in the UK.

In addition, if an insurer is not able to pay out a claim, the consumer can resort to the Financial Services Compensation Scheme (FSCS)<sup>982</sup>, an independent body whose services can be used for free.

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<sup>978</sup> [www.abi.org.uk](http://www.abi.org.uk)

<sup>979</sup> Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast). Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016L0097&from=en>

<sup>980</sup> BIBA, 2016, Manifesto 2016. Available at: <https://view.publitas.com/biba/biba-manifesto-2016/page/1>

<sup>981</sup> Insurance Europe, 2014, Statistics N°50 European Insurance in Figures available at: <http://www.insuranceeurope.eu/sites/default/files/attachments/StatisticsNo50EuropeanInsuranceinFigures.pdf>

<sup>982</sup> <http://www.fscs.org.uk/>

## 10.1.2. Household insurance

*Overview of the selected products*

There are three household insurance products available to consumers in the UK:

- Buildings insurance: covering the structure of the household, e.g. walls, windows and roof as well as permanent fixtures and fittings, such as baths, toilets and fitted kitchens.
- Contents insurance: covering the possessions in the household.
- Buildings and contents insurance: covering both the structure and the possessions of the household<sup>983</sup>.

The events covered are mainly theft, flooding, fire and explosions. Accidental damage coverage is limited, and often a 20 GBP (23 EUR) to 100 GBP (117 EUR) extra fee is added to the premium to ensure such coverage.

In terms of regulation, household insurance sales follow FCA regulation. In addition, during an interview, the FCA mentioned that while household insurance is not compulsory per say, buildings insurance is required in order to obtain a mortgage to buy a house.

There is no legal obligation to hold a household insurance; however, most mortgage lenders require the home owners to subscribe to at least a building insurance. Household insurance for tenants is not compulsory, but landlords would generally take care of the building insurance, while tenants would be advised to hold a home content insurance to protect their belongings<sup>984</sup>.

*Overview of the national market*

According to the Association of British Insurers (ABI), in 2013, out of the 26.7 million households in the UK, 20.4 million (76%) had contents insurance and 17 million (64%) had buildings insurance.

Regarding the household insurance market in the UK, an underwriting profit of 643 million GBP (751 million EUR) was made in 2014, with insurers paying out 8.2 million GBP (9.6 million EUR) in domestic claims a day<sup>985</sup>.

In terms of the market, household penetration in the UK is shown in the table below.

Table 238 : Household insurance penetration in the UK

Year	2011	2012	2013	2014
Penetration	0.9%	0.8%	0.8%	0.8%

Source: Insurance Europe, 2016, European insurance industry database

According to the table, household insurance premiums represented on average 0.8% of the yearly GDP between 2012 and 2014.

Household insurance density is provided in the table below.

<sup>983</sup> Which, Home insurance. Available at: <http://www.which.co.uk/money/insurance/reviews-ns/home-insurance/home-insurance-the-basics/>

<sup>984</sup> Money Bulldog, 2013, Home insurance, is it a legal requirement? Available at: <http://moneybulldog.co.uk/home-insurance-legal-requirement/>

<sup>985</sup> ABI, 2016, UK Insurance & Long Term Savings Key Facts 2015. Available at: [https://www.abi.org.uk/~/\\_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf](https://www.abi.org.uk/~/_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf)

Table 239 : Household insurance density in the UK in EUR

Year	2011	2012	2013	2014
Density	265	271	264	262

Source: Insurance Europe, 2016, European insurance industry database

Household insurance density in the UK recorded a high in 2012 with 271 EUR, while in 2014 the density was the lowest in the 2011-2014 period (262).

Regarding the provision of household insurance, the table below illustrates the number of companies in the UK selling this category of insurance product between 2011 and 2013.

Table 240 : Number of companies operating on the UK domestic market – Household insurance

Year	2011	2012	2013	2014
Companies operating on domestic market	288	279	269	N/A

Source: Insurance Europe, 2016, European insurance industry database

There was a year-on-year decrease in the number of companies providing household insurance in the UK between 2011 and 2013, with 19 companies less operating in the UK in 2013 compared to 2011.

#### *Overview of premiums*

Household insurance premiums are described in the table below.

Table 241 : Household insurance premiums in the UK (2011-2014), in million EUR

Year	Household GWP	Household direct premiums written (domestic)
2011	16,157	16,678
2012	16,438	17,226
2013	15,736	16,843
2014	N/A	16,863

Source: Insurance Europe, 2014, European Insurance in Figures and Insurance Europe, 2016, European insurance industry database

According to the table, higher premiums were recorded in 2012 compared to 2011 and 2013.

The table below shows a breakdown per product of average premiums per person between 2012 and 2015.

Table 242 : Household insurance average premiums in the UK (2012-2015)

Year	Buildings insurance	Contents insurance	Buildings and contents insurance
2012	387	211	490
2013	387	210	475
2014	374	205	462
2015	371	197	457

Source: ABI, 2016, ABI average quarterly household insurance premium tracker, Q4 2015 statistics

The average premium for buildings insurance is more than 1.5 times higher than that of contents insurance. However, in both cases, a year-on-year decrease of the average premium was observed between 2012 and 2015.

No data were publicly available on earned premiums.

#### *Overview of data on claims*

As mentioned above, in 2014 insurers paid out 8.2 million GBP (9.6 million EUR) in domestic claims per day<sup>986</sup>. The causes of these claims were mainly due to weather conditions (25%), followed by escape of water (21%), and fire and theft (both at 13% of claims made). The number of claims recorded in the UK regarding household insurance are shown in the table below.

Table 243 : Number of claims notified for household insurance in the UK

Year	Number of claims notified
2011	2,875,825
2012	2,754,308
2013	2,379,834
2014	N/A

Source: Insurance Europe, 2016, European insurance industry database

According to the table, between 2011 and 2013, there was a year-on-year decrease in the number of claims notified regarding household insurance, with a more considerable jump between 2012 and 2013 (over 400,000 claims less).

The table below illustrates the evolution of claims paid, gross claims expenditure as well as the ratio of claims expenditure on GWP in the UK regarding household insurance, between 2011 and 2014.

<sup>986</sup> ABI, 2016, UK Insurance & Long Term Savings Key Facts 2015. Available at: [https://www.abi.org.uk/~/\\_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf](https://www.abi.org.uk/~/_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf)

Table 244 : Household insurance claims and ratio of claims expenditure on GWP in the UK (2011-2014)

Year	Household claims paid (million EUR)	Household gross claims expenditure (million EUR)	Ratio of claims expenditure on GWP (%) <sup>1</sup>
2011	7,252	8,310	51.43
2012	7,340	8,528	51.88
2013	11,126	7,768	49.36
2014	7,629	N/A	N/A

Note: 1. Based on calculation of claims expenditure divided by GWP for household insurance  
Source: Insurance Europe, 2016, European insurance industry database

The amount of claims paid for household insurance were exceptionally high in 2013 (11,126 million EUR, compared to around 7,500 million EUR the other years), while the number of claims was lower than the previous years (c.f. Table 243), suggesting that the amount paid-out per claim was higher than usual. The ratio of claims expenditure on GWP remained stable and fairly low between 2011 and 2013, reaching 49.36% in 2013.

Regarding the average claims paid in the UK, an analysis was carried out by ABI based on data between 2013 and 2014, covering 1.8 million household insurance (building and content) claims to 19 insurance companies. The results of this study are outlined in the table below.

Table 245: Average claims paid in domestic household insurance (B2C) in the UK, 2013-2014

	Domestic household insurance
Average claims paid (EUR)	2,997
% of claims paid	79%
Claims pay-out rate per year	4%

Source: ABI, 2016, There when it matters - ABI publishes insurance claims success rates for the first time.

According to the table above, 4 out of 5 consumers received payment after making a claim between 2013 and 2014. The data analysed by ABI revealed that the main reasons for claims being refused were: wear and tear or damage caused by a lack of maintenance which are not insurable, the claim value being below the policy excess, and not having bought the right cover, such as accidental damage, which is often an added extra<sup>987</sup>.

No data were publicly available regarding combined ratio for household insurance.

<sup>987</sup> ABI, 2016, There when it matters - ABI publishes insurance claims success rates for the first time. Available at: <https://www.abi.org.uk/News/News-releases/2016/01/There-when-it-matters-ABI-publishes-insurance-claims-success-rates-for-the-first-time>

## 10.1.3. Motor insurance

*Overview of the selected products*

Overall, motor insurance typically covers the vehicle, the damage which could be caused to other vehicles, to the property of other drivers and to other motorists in general. This coverage can be extended to personal belongings, medical expenses and breakdown assistance.

The three most common motor insurance products in the UK are as follows:

- Third party liability insurance: covering damage caused by the owner of the vehicle or one of the passengers to others, including damage to other drivers and their vehicles as well as accidental damage to lampposts and walls. However, it does not **cover the driver's vehicle**. It is the lowest coverage available.
- Third party liability, fire and theft insurance: covering everything included in third party liability insurance, **as well as the owner's vehicle if stolen or damaged by fire**.
- Comprehensive car insurance: covering everything included in third party liability, **fire and theft insurance but also covering wider damage to the owner's vehicle, with some policies covering the owner driving other people's vehicles up to third party level**. It is the widest coverage available<sup>988</sup>.

In addition, insurers selling private motor insurance (B2C) also offer consumers add-on products, such as motor legal expenses insurance, windscreen cover, breakdown cover, personal injury cover, courtesy car cover, key loss cover, extended foreign use cover and no claims bonus protection<sup>989</sup>.

Looking at several terms and conditions of motor insurance providers, the limit for claim compensation for third party liability property damage is usually 20 million GBP (22.17 million EUR).

Most car insurers have two types of excess: a compulsory excess, which they set and cannot be modified, and a voluntary excess, which consumers can set themselves. A large voluntary excess would lead to a lower premium, but makes claiming very expensive<sup>990</sup>.

With the no-claims bonus system, motor insurers offer a discount if the driver remains claim free for an extended period of time, and this discount may increase as time goes by without claims. This no-claim discount is cut if a claim occurs unless the customer paid a special fee (10% to 15% of the premium) to protect the bonus. However, this special fee tends to be available only after four years with the same insurer<sup>991</sup>.

While motor third party liability is compulsory in the UK for all vehicles according to the Road Traffic Act<sup>992</sup> and the EU Directive 2009/103/EC<sup>993</sup>, comprehensive cover insurance is voluntary. In terms of regulation, motor insurance sales follow FCA regulation. Please refer to section 10.1.1 for more information.

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<sup>988</sup> Which, Car insurance. Available at: <http://www.which.co.uk/money/insurance/reviews-ns/car-insurance/car-insurance-the-basics/>

<sup>989</sup> CMA, 2012, Private Motor Insurance Market Investigation. Available at: [https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final\\_report.pdf](https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final_report.pdf)

<sup>990</sup> Which, Car insurance. Available at: <http://www.which.co.uk/money/insurance/reviews-ns/car-insurance/car-insurance-the-basics/>

<sup>991</sup> Which, Car insurance. Available at: <http://www.which.co.uk/money/insurance/reviews-ns/car-insurance/car-insurance-the-basics/>

<sup>992</sup> Road Traffic Act, 1991. Available at: <http://www.legislation.gov.uk/ukpga/1991/40/contents>

<sup>993</sup> Directive 2009/103/EC - Civil liability insurance for motor vehicles

*Overview of the national market*

In terms of the market, motor insurance penetration in the UK is shown in the table below.

Table 246 : Motor insurance penetration in the UK

Year	2011	2012	2013	2014
Penetration	1.0%	0.9%	0.9%	0.8%

Source: Insurance Europe, 2016, European insurance industry database

Motor insurance penetration was close to that of household penetration in the UK (cf. Table 238), being on average 0.1% higher, at 0.9% of the GDP between 2011 and 2014, and recording a 0.2% decrease in that period.

Regarding density, data is described in the table below.

Table 247 : Motor insurance density in the UK in EUR

Year	2011	2012	2013	2014
Density	297	305	293	287

Source: Insurance Europe, 2016, European insurance industry database

Motor insurance density between 2011 and 2014 recorded a high of 305 EUR in 2012, and since then has observed a year-on-year decrease, being at 287 EUR in 2014.

Regarding companies, the number operating on the UK domestic market selling motor insurance policies is presented in the table below.

Table 248 : Number of companies operating on the UK domestic market – Motor insurance

Year	Companies operating on domestic market
2011	263
2012	263
2013	280
2014	N/A

Source: Insurance Europe, 2016, European insurance industry database

In 2013, there were 280 companies providing motor insurance in the UK, 17 more than in 2011 and 2012. According to a study carried out by the UK government's Competition and Markets Authority (CMA)<sup>994</sup>, the largest private motor insurance provider (B2C) in 2012 was Direct Line Insurance Group<sup>995</sup>.

<sup>994</sup> CMA. 2012. Private Motor Insurance Market Investigation. Available at: [https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final\\_report.pdf](https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final_report.pdf)

<sup>995</sup> <http://www.directlinegroup.com/>



According to the Association of British Insurers (ABI), in 2013, 20.1 million out of the 26.7 million households in the UK (i.e. 75%) owned motor insurance<sup>996</sup>. The number of insured vehicles in the UK between 2011 and 2013 is shown in Table 249 below.

Table 249 : Number of insured vehicles in the UK

Year	Insured vehicles
2011	31,048,938
2012	31,023,864
2013	31,041,831
2014	N/A

Source: Insurance Europe, 2016, European insurance industry database

The above table shows that there are more insured vehicles in the UK than households (e.g. over 31 million vehicles in 2013 compared to 26.7 million households). The year-on-year variation of insured vehicles between 2011 and 2013 was relatively low, although 2012 recorded an average of 20,000 less vehicles insured than 2011 and 2013.

The evolution of the number of comprehensive cover insurance contracts between 2011 and 2013 is illustrated in the table below.

Table 250 : Number of comprehensive cover insurance contracts in the UK

Year	Comprehensive cover insurance contracts
2011	25,646
2012	25,938
2013	26,633
2014	N/A

Source: Insurance Europe, 2016, European insurance industry database

The number of comprehensive cover insurance contracts in the UK increased by 987 units between 2011 and 2013, when it reached 26,633. Compared to the number of insured vehicles in the UK (cf. Table 249), on average 0.08% of vehicles have comprehensive coverage.

In addition, according to the CMA<sup>997</sup>, in 2012 over 90% of private motor insurance GWP were for comprehensive cover.

As motor third party liability is the only compulsory non-life insurance product in the UK (cf. above statement), action has been taken by the Motor Insurers' Bureau (MIB)<sup>998</sup>

<sup>996</sup> ABI, 2016, UK Insurance & Long Term Savings Key Facts 2015. Available at: [https://www.abi.org.uk/~/\\_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf](https://www.abi.org.uk/~/_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf)

<sup>997</sup> CMA. 2012. Private Motor Insurance Market Investigation. Available at: [https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final\\_report.pdf](https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final_report.pdf)

<sup>998</sup> [www.mib.org.uk](http://www.mib.org.uk)

company to ensure that there are no uninsured drivers in the UK. Due to their activities, the level of uninsured driving has been reduced by 50% in the last 10 years.

#### *Overview of premiums*

The premium level is set by insurers according to a number of factors including the **customer's record as a driver, personal circumstances** and the vehicle.

The table below demonstrates the written premiums in the UK for motor insurance.

Table 251 : Motor insurance written premiums in the UK (2011-2014), in million EUR

Year	Motor insurance GWP	Motor direct premiums written (domestic)
2011	20,573	18,704
2012	18,454	19,334
2013	17,473	18,702
2014	N/A	18,446

Source: Insurance Europe, 2014, European Insurance in Figures and European insurance industry database

In terms of gross written premiums (GWP), there was a year-on-year decrease between 2011 and 2013 in the UK. However, domestic direct premiums written remained at a relatively stable level compared to GWP.

Regarding the average premium in the UK, that of comprehensive cover is described in the table below between 2012 and 2015.

Table 252 : Comprehensive cover motor insurance average premium in the UK (2012-2015)

Year	Average premium (EUR)
2012	638
2013	588
2014	567
2015	591

Source: ABI, 2016, ABI average quarterly motor insurance premium tracker, Q4 2015 statistics

There was a substantial decrease in the average premium of comprehensive cover motor insurance between 2012 and 2013 (50 EUR), which continued in 2014 when it reached 567 EUR. However, a 24 EUR increase was observed between 2014 and 2015.

No data were publicly available on earned premiums.

*Overview of data on claims*

In 2013, motor insurers paid out 19.7 million GBP (23 million EUR) per day to consumers in motor claims<sup>999</sup>. The number of claims recorded between 2011 and 2013 is shown in the table below.

Table 253: Number of claims notified for motor insurance in the UK

Year	Number of claims notified
2011	4,559,800
2012	4,118,881
2013	4,224,523
2014	N/A

Source: Insurance Europe, 2016, European insurance industry database

Out of the 3 years considered, 2012 recorded the lowest number of claims with 4,118,881.

Regarding cost, in 2013 the average cost of a bodily injury claim was 10,680 GBP (12,490 EUR), while the overall average for all types of claims was 2,649 GBP (3,097 EUR). Bodily injury claims made up 9% of the total number of claims, yet represented 51% of the total value of claims<sup>1000</sup>.

The table below illustrates the claims paid, gross claims expenditure, as well as the ratio of claims expenditure on GWP for motor insurance in the UK between 2011 and 2014.

Table 254 : Motor insurance claims and ratio of claims expenditure on GWP in the UK (2011-2014)

Year	Motor claims paid (million EUR)	Motor gross claims expenditure (million EUR)	Ratio of claims expenditure on GWP (%) <sup>1</sup>
2011	16,101	16,101	78.26
2012	16,149	16,149	87.51
2013	17,217	14,623	83.69
2014	13,752	N/A	N/A

Note: 1. Based on calculation of claims expenditure divided by GWP for motor insurance  
Source: Insurance Europe, 2016, European insurance industry database

According to the table, in terms of claims paid, the amount recorded in 2014 was substantially lower than the three previous years, at 13,752 million EUR compared to an average of 16,500 million EUR for the 2011-2013 period. The ratio of claims expenditure

<sup>999</sup> ABI, 2016, UK Insurance & Long Term Savings Key Facts 2015. Available at: [https://www.abi.org.uk/~/\\_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf](https://www.abi.org.uk/~/_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf)

<sup>1000</sup> ABI, 2016, UK Insurance & Long Term Savings Key Facts 2015. Available at: [https://www.abi.org.uk/~/\\_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf](https://www.abi.org.uk/~/_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf)

on GWP deteriorated during the same period to reach 83.69% in 2013, due to a decrease in motor GWP.

Regarding the average claims paid in the UK, an analysis was carried out by ABI based on data between 2013 and 2014, covering 4.3 million motor insurance claims to 19 insurance companies. The results of this study are outlined in the table below.

Table 255: Average claims paid in private motor insurance (B2C) in the UK, 2013-2014

	Private motor insurance
Average claims paid (EUR)	2,565
% of claims paid	99%
Claim pay-out rate per year <sup>1001</sup>	10%

Source: ABI, 2016, There when it matters - ABI publishes insurance claims success rates for the first time.

According to the table above, almost all consumers received payment after making a claim between 2013 and 2014, with an average pay-out of 2,565 EUR.

No data are publicly available on combined ratio for motor insurance.

#### 10.1.4. Car rental insurance

##### *Overview of the selected products*

In the United Kingdom, unlimited Third Party Liability Insurance is a legal requirement and is included in the pre-paid price of all car rentals. Third Party Liability Insurance covers property damage, injury, or death caused to anyone or anything outside of the rented car. In addition to Third Party Liability Insurance, all rental car rates include Fire Insurance, which covers any damage caused to the rental vehicle as a result of fire<sup>1002</sup>.

The main additional product sold by car rental companies is known as Collision Damage Waiver, which covers the full cost of repairing any damage to the car, and is included in the rental price. Excess for this product is typically between 500 GBP (i.e. 590 EUR) and 2,000 GBP (i.e. 2,370 EUR). This product does not cover specific areas of the car, including the windscreen, tyres and the undercarriage. Coverage for the following aspects is also not under the product: damage caused while breaching the rental agreement, caused by negligence, or using the wrong fuel<sup>1003</sup>.

There are three other products available:

- Theft protection: coverage for the full cost of replacing the vehicle if it is stolen. This product can be included in the rental price of the vehicle. However, some thefts such as those resulting from negligence (e.g. leaving the keys in the ignition) are not covered.

<sup>1001</sup> % of all motor customers who had a claim paid

<sup>1002</sup> Auto Europe, UK Car rental Insurance. Available at: <http://www.autoeurope.com/go/travel-guides/united-kingdom/uk-car-rental-insurance/>

<sup>1003</sup> Which, Care hire insurance. Available at: <http://www.which.co.uk/reviews/car-hire/article/car-hire-advice/car-hire-insurance>

- Super collision damage waiver (or Super cover, or Damage Excess Waiver): this **additional option reduces the policyholder's liability to a very low amount. However,** the windows, tyres and the undercarriage may still be excluded.
- Personal accident insurance: this additional option covers the policyholder in case of any injury to the driver or passengers. This can also be covered as part of travel insurance.

In addition, it is also possible for consumers to purchase car rental insurance through independent insurers (and not car rental companies), which may or may not be linked to the car rental company, such as Insurance4carhire.com. This can cover costs if the car is damaged or stolen, with the possibility of including windscreens and tyres. This option is generally cheaper than the aforementioned products according to the consumer association Which<sup>1004</sup>. However, if damage occurs, the policy holder will have to pay the excess to the car rental company (up to 2,000 GBP, i.e. 2,370 EUR), and claim the money back from the insurer.

Consumers in the UK can also purchase an annual multi-trip care hire excess insurance, which covers the policyholder in the event of an accident or theft of the hired car. It also covers damage to the windows, undercarriage, roof, tyres and headlights, in addition to a typical car rental company coverage. There is also a Family and Partners policy which covers two people, who must be family members. This policy can either be applicable for trips in the UK and Europe, or worldwide depending on the chosen product<sup>1005</sup>.

In terms of regulation, car rental insurance sales follow FCA regulation.

#### *Overview of the national market*

Car rental insurance is typically sold to consumers through car rental companies.

The main association for these companies in the UK is the British Vehicle Rental and Leasing Association (BVRLA)<sup>1006</sup>. It is the trade body for companies engaged in the leasing and rental of cars and commercial vehicles. The Association represents the interests of inter alia people who use rental vehicles in the UK.

#### *Overview of premiums*

No information specific to car rental insurance premiums in the UK was available. Please see '**Overview of premiums**' in section 10.1.1 for information on non-life insurance premiums in general, which includes car rental insurance claims.

#### *Overview of data on claims*

No information specific to car rental insurance claims in the UK was available. Please see section 10.1.1 for information on non-life insurance claims in general, which includes car rental insurance claims.

### 10.1.5. Insurance products sold as an add-on to other primary products

#### *Overview of the selected products*

The most common type of insurance products sold as an add-on to other primary products in the UK is travel insurance. There are two options for travel insurance depending on

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<sup>1004</sup> Which, Care hire insurance. Available at: <http://www.which.co.uk/reviews/car-hire/article/car-hire-advice/car-hire-insurance>

<sup>1005</sup> <http://www.insurance4carhire.com/worldwide-car-hire-excess-insurance>

<sup>1006</sup> <http://www.bvrla.co.uk/>

the amount of travel: annual trip cover, which is more cost-effective if the customer goes on more than two trips that year; or single trip cover.

There are also different types of cover according to where the customer travels: European cover or worldwide cover, the latter either including or excluding the United States of America depending on the policy.

Finally, coverage also depends on the people the customer is travelling with. Indeed, it is possible to cover all travellers under the same policy, or have individual cover.

Regarding the different coverage options, they are as follows:

- Emergency medical cover: covering the cost of hospital treatment and medical bills.
- Cancellation, curtailment and missed departure: covering cancellation or curtailment (i.e. if the trip is cut short) for reasons such as illness or bereavement. The extent of these reasons depends on the insurance policy. The coverage includes the cost of returning home. Regarding missed departure, coverage includes if the customers miss their flight/ferry due to public transport failure or an unexpected delay.
- Personal belongings and money: covering for lost or stolen baggage and belongings. The policy often includes an overall limit for compensation.
- Personal liability cover: covering in case of legal bills, which can occur if the consumers injure someone else or damage their property while abroad.<sup>1007</sup>

With regard to extended warranties, according to the EU Directive 1999/44/EC on certain aspects of the sale of consumer goods and associated guarantees, products come **with a manufacturer's or retailer's warranty which lasts for two years, covering the repair or replacement of the purchased product due to mechanical or electrical breakdown.** In the UK, consumers can choose to extend this warranty through purchasing an add-on insurance product, offering extra coverage for aspects such as accidental damage. **Extended warranties can last for two, three or four years after the manufacturer's or retailer's warranty has expired. Some extended warranties have no fixed term and can be paid for on a month-to-month basis.** Exclusions from the contract can include e.g. cosmetic damage and delivery or installation costs<sup>1008</sup>.

Home assistance (or home emergency) insurance covers minimum domestic emergencies such as plumbing and drainage. In this case, the insurance company pays for the problem to be fixed by a qualified tradesman. Additional coverage can include glazing and locks, external gas and water supplies and roofing cover<sup>1009</sup>. Prices vary from 25 GBP to 240 GBP per year depending on coverage<sup>1010</sup>. According to an interview with ABI, the purchase of this type of insurance product is not very common in the UK.

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<sup>1007</sup> Which, Travel insurance. Available at: <http://www.which.co.uk/money/insurance/reviews-ns/travel-insurance/travel-insurance-the-basics/>

<sup>1008</sup> ABI, Extended Warranty. Available at: <https://www.abi.org.uk/Insurance-and-savings/Products/Extended-warranty>

<sup>1009</sup> Money, Compare home emergency insurance. Available at: <http://www.money.co.uk/home-insurance/home-emergency-insurance.htm>

<sup>1010</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

In terms of regulation, most add-on insurance sales follow FCA regulation in the same way as stand-alone<sup>1011</sup> insurance products<sup>1012</sup>. Please refer to section 10.1.1 for more information.

Regarding Insurance Premium Tax (IPT) (cf. section 10.1.1), it is fixed at 20% (compared to the standard 9.5%) when insurance is sold through a supplier of domestic appliances, therefore extended warranty falls under this category. This 20% rate also applies to travel insurance. The tax is to be paid by the insurer or the intermediary<sup>1013</sup>.

#### *Overview of the national market*

In 2012, 17 million travel insurance policies were purchased in the UK, as an add-on to a holiday or flight<sup>1014</sup>.

No data on the number of contracts for extended warranty and home assistance were available.

#### *Overview of premiums*

The FCA estimates that annual add-on purchases by UK consumers could be close to 1 billion (1.17 billion EUR) in total<sup>1015</sup>.

The average price of annual travel insurance in the UK in 2015 was 33 GBP (i.e. 39 EUR)<sup>1016</sup>.

No further information on premiums was available. Section 10.1.1 of this document provides information on non-life insurance premiums in general.

#### *Overview of data on claims*

In 2013, travel insurers paid out 370 million GBP (433 million EUR) in claims, with the number of claims that year adding up to 581,000<sup>1017</sup>. Regarding the average travel insurance claims paid in the UK, an analysis was carried out by ABI based on data between 2013 and 2014, covering 800,000 travel insurance claims to 19 insurance companies. The results of this study are outlined in the table below.

Table 256: Average claims paid in travel insurance (B2C) in the UK, 2013-2014

	Travel insurance
Average claims paid (EUR)	1,050
% of claims paid	87%
Claims pay-out rate per year <sup>1018</sup>	2%

<sup>1011</sup> Stand-alone insurance products are products which are not sold as add-ons, i.e. household, motor and car rental insurance in the context of this study.

<sup>1012</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>1013</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

<sup>1014</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>1015</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>1016</sup> ABI, 2016, Travel insurers pay out £1 million every day. Available at: <https://www.abi.org.uk/News/News-releases/2016/06/Travel-insurers-pay-out-1-million-every-day>

<sup>1017</sup> ABI, 2016, UK Insurance & Long Term Savings Key Facts 2015. Available at: [https://www.abi.org.uk/~/\\_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf](https://www.abi.org.uk/~/_media/Files/Documents/Publications/Public/2015/Statistics/Key%20Facts%202015.pdf)

<sup>1018</sup> % of all travel insurance customers who had a claim paid

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Source: ABI, 2016, There when it matters - ABI publishes insurance claims success rates for the first time.

According to the table above, almost 9 out of 10 consumers received payment after making a claim between 2013 and 2014, with an average pay-out of 1,050 EUR. The main reasons that claims were rejected were: cancellation falling outside of the scope of cover, failure to declare a pre-existing medical condition that led to a claim, no substantiation for the loss of items, and the claim being below the policy excess<sup>1019</sup>.

ABI also published data on travel insurance claims for the year 2015, as demonstrated in the table below.

Table 257: Travel insurance claims in the UK in 2015

	Total claims paid (million EUR)	% of total claims paid	Number of beneficiaries	% of total beneficiaries
All travel insurance	430.5	100%	494,000	100%
Emergency medical treatment	231.1	53.6%	166,000	33.6%
Holiday cancellation	151.1	35.1%	160,000	32.3%
Loss of luggage and money	18.9	4.3%	87,000	17.6%

Source: ABI, 2016, Travel insurers pay out £1 million every day

According to the table above, in 2015 most claims paid regarded travellers requiring emergency medical treatment while on holiday (33.6% of claims), followed closely by holiday cancellations (32.3%). However, over half of the amount paid out by insurers was to cover costs of medical treatment (53.6%), therefore this event is costlier for British insurers. In addition, ABI noted that in 2015, the average medical expense claim was 1,200 GBP (i.e. 1,417 EUR) while that of cancellation was 800 GBP (i.e. 945 EUR).

No further information on add-on insurance claims was available. Please refer to section 10.1.1 for data on claims in the non-life insurance sector in general.

### 10.1.6. Sales practices and distribution channels

#### *Practices of non-life insurers*

A specificity of the UK non-life insurance market is the prevalence of price comparison websites (PCW) as a distribution channel for product sales. According to interviewees<sup>1020</sup> and answers to the Green Paper on retail financial services consultation<sup>1021</sup>, this is mainly

<sup>1019</sup> ABI, 2016, There when it matters - ABI publishes insurance claims success rates for the first time. Available at: <https://www.abi.org.uk/News/News-releases/2016/01/There-when-it-matters-ABI-publishes-insurance-claims-success-rates-for-the-first-time>

<sup>1020</sup> ABI, FCA

<sup>1021</sup> Consultation on the Green Paper on retail financial services: better products, more choice, and greater opportunities for consumers and businesses. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index\\_en.htm](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/index_en.htm)



due to consumer preferences, as British people are used to buying products online, especially compared to other Member States. However, insurance intermediaries such as brokers are also used, but according to an interview with ABI their use is decreasing. Finally, there are direct sales with companies such as Direct Line<sup>1022</sup> identifying themselves through the use of this distribution channel, and therefore only resorting to it as part of a differentiation strategy. Insurance intermediaries and direct sales channels can be contacted online, via the phone or in person.

The table below shows the share of distribution channels used by consumers to purchase non-life insurance products in 2011 and 2012 (data on the following years were not available).

Table 258: Share of distribution channels used for non-life insurance purchases in the UK

Year	Direct sales	Agents	Brokers	Bancassurance	Other
2011	25.7%	4.8%	55.6%	7.8%	6.1%
2012	24.8%	4.7%	55.2%	7.4%	7.9%

Source: Insurance Europe, 2014, European insurance in figures

The data in the table show that brokers were the most used distribution channel in the UK in 2011 and 2012, with over half of the purchases carried out through that channel. Direct sales are the second most used channel with a quarter of purchases.

According to interviewees<sup>1023</sup>, there has been an increase in the use of PCWs in the UK during the last 5 years. The main reasons for this were highlighted as the fact that broadband internet coverage was improving, and that it was a faster and cheaper distribution channel for consumers and insurers alike. In addition, during an interview, ABI mentioned that insurers have eased the access to information online with the use of infographics. Young people are also more used to this distribution channel, which is why interviewees<sup>1024</sup> agreed that this trend would continue in the next five years. Finally, the use of smartphone applications has been mentioned as an emerging distribution channel for the sale of non-life insurance products.

Regarding insurance intermediaries, the **British Insurance Broker's Association (BIBA)**<sup>1025</sup> noted during an interview that they were involved more frequently for non-life insurance purchases rather than life insurance. However, no data were available to illustrate this.

In the UK, BIBA is a non-life insurance intermediary organisation which represents the interests of insurance brokers, intermediaries and their customers. Non-life insurance **brokers contribute 1% of the UK's GDP. 54% of all non-life insurance products** in 2015 were sold through an insurance broker<sup>1026</sup>. In addition, insurance brokers are also present on PCWs.

The transactions in the non-life insurance market carried out by brokers represent 8.4 billion GBP (9.8 billion EUR)<sup>1027</sup>. According to trade associations interviewed (namely BIBA and ABI), brokers cover all non-life insurance products except for extended warranties and car rental insurance. BIBA explained during an interview that insurance brokers allow

<sup>1022</sup> [www.directline.com](http://www.directline.com)

<sup>1023</sup> ABI, FCA, Citizen's Advice, BIBA

<sup>1024</sup> ABI, FCA, Citizen's Advice, BIBA

<sup>1025</sup> [www.biba.org.uk](http://www.biba.org.uk)

<sup>1026</sup> BIBA, About BIBA. Available at: <https://www.biba.org.uk/about/about-biba>

<sup>1027</sup> BIBA, 2016, Manifesto 2016. Available at: <https://view.publitas.com/biba/biba-manifesto-2016/page/1>

consumers to speak to a person face-to-face and benefit from help specific to their needs, as well as finding competitive deals for consumers.

Financial services are exempt from the Equality Act<sup>1028</sup> banning age discrimination in goods and services. As a result, age discrimination in insurance is legally permitted and still occurs, namely for motor insurance, car rental insurance and travel insurance<sup>1029</sup>. More information is presented in each respective sub-section below.

#### *Practices of household insurers*

According to an interview with ABI, household insurance is bought through the three main distribution channels: PCWs, intermediaries and direct sales. No information could be found on the share of sales through each distribution channel.

#### *Practices of motor insurers*

The study on private motor insurance (B2C) carried out by the CMA<sup>1030</sup>, pointed out that in 2012 the 10 largest providers<sup>1031</sup> sold more than a third of their GWP through direct phone and online channels, while 31% of policies were purchased using brokers, and a quarter via PCWs. More specifically, CMA pointed out that 23% of all private motor insurance business was carried out through PCWs, and between 55 and 65% of new business comes through PCWs. The table below shows the breakdown of private motor insurance sales in 2012.

Table 259: Private motor insurance (B2C) sales in the UK in 2012

Channel	% of total private motor GWP	% of number of policies
Direct - online	20%	23%
Direct - phone	17%	15%
Brokers	31%	32%
PCWs	24%	21%
Retail partnerships	2%	2%
Banks/Building societies	1%	1%
Other	6%	7%

Source: CMA, 2012, Private Motor Insurance Market Investigation

The table demonstrates the prevalence of sales through insurance brokers and direct sales channels, in terms of GWP and the number of contracts sold.

<sup>1028</sup> Equality Act, 2010. Available at: <http://www.legislation.gov.uk/ukpga/2010/15/contents>

<sup>1029</sup> Age UK, 2012, Car insurance - discrimination continues. Available at: <http://www.ageuk.org.uk/latest-press/archive/older-people-still-facing-discrimination-in-car-insurance/>

<sup>1030</sup> CMA, 2012, Private Motor Insurance Market Investigation. Available at: [https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final\\_report.pdf](https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final_report.pdf)

<sup>1031</sup> The ten largest motor insurers are: Admiral Group plc (Admiral), Ageas NV/SA (Ageas), Aviva plc (Aviva), AXA Insurance UK plc (AXA), CIS General Insurance Limited (CISGIL), Direct Line Insurance Group plc (DLG), esure Insurance Limited (esure), Liverpool Victoria Insurance Company Limited (LV), Royal & Sun Alliance Insurance plc (RSA) and Zurich Insurance plc (Zurich). Source: CMA. 2012. Private Motor Insurance Market Investigation. Available at: [https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final\\_report.pdf](https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final_report.pdf)

Furthermore, the CMA study noted that of the four large PCWs, one is owned by one of the ten largest motor insurers<sup>1032</sup>, another is part-owned by one of the ten largest motor insurers<sup>1033</sup> and another is owned by a large broker<sup>1034</sup><sup>1035</sup>. In addition, 3 of the 10 largest motor insurers also own brokers<sup>1036</sup>.

Regarding repair companies, in 2012, 3 of the large motor insurance companies owned repair companies, namely Aviva, Direct Line Group and RSA Group<sup>1037</sup>.

In 2012, an agreement between ABI, BIBA and the UK government entered into force, requiring all ABI members who do not provide insurance because they apply age **restrictions to 'signpost' customers to an alternative appropriate provider, who will offer a product regardless of age**<sup>1038</sup>.

However, an article from the Telegraph<sup>1039</sup> reports that older-age premiums have been rising at a faster pace than any other age group. Average prices for over-50s have risen by 5pc (0.06 EUR) to 247 GBP (272 EUR) over the past year, compared with the average price of all age groups which has remained stable, according to Consumer Intelligence, a research firm. The article indicates that according to ABI, premiums for those aged 66 to 70 were 241 GBP in 2012 (266 EUR), increasing to 255 GBP (281 EUR) for ages 71 to 75 and 291 GBP (321 EUR) for 76 to 80. Over 81, the premium increases to 352 GBP (388 EUR). Motorists are thought by insurers to drive more safely if they share a car or are driving with their spouse, so aged drivers may be charged more if they are alone than if their spouse still lives<sup>1040</sup>.

Young drivers could be subject to even higher premium, (£502 on average for a 30-year-old<sup>1041</sup>). A petition was even submitted to the UK Government and Parliament in 2016 against higher premiums for under 25 years old drivers, which collected 64,226 signatures<sup>1042</sup>. The Government responded that the responsibility for setting premiums rests with insurers and that the Government is strengthening the learning to drive process so that drivers can present themselves as a lower risk and obtain lower premiums.

### *Practices of car rental insurers*

Car rental insurers are most commonly car rental retailers. These insurers are not covered by ABI, as according to an interview with the association, they are small niche market

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<sup>1032</sup> Confused.com, which is owned by the insurer Admiral

<sup>1033</sup> GoCompare.com, which is 50% owned by the insurer esure

<sup>1034</sup> Comparethemarket.com is owned by the broker BISL, which is part of the BGL Group

<sup>1035</sup> The fourth main PCW is Moneysupermarket.com

<sup>1036</sup> CMA, 2012, Private Motor Insurance Market Investigation. Available at: [https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final\\_report.pdf](https://assets.publishing.service.gov.uk/media/5421c2ade5274a1314000001/Final_report.pdf)

<sup>1037</sup> [www.rsagroup.com](http://www.rsagroup.com)

<sup>1038</sup> ABI, 2012, ABI announces new agreement to improve access to motor and travel insurance for older customers. Available at: <https://www.abi.org.uk/News/News-releases/2012/03/ABI-announces-new-agreement-to-improve-access-to-motor-and-travel-insurance-for-older-customers>

<sup>1039</sup> The Telegraph, 2015, Ageism in car insurance: do these cases prove insurers overcharge older drivers? Available at: <http://www.telegraph.co.uk/finance/personalfinance/insurance/motorinsurance/11739759/Ageism-in-car-insurance-do-these-cases-prove-insurers-overcharge-older-drivers.html>

<sup>1040</sup> The Telegraph, 2015, Ageism in car insurance: do these cases prove insurers overcharge older drivers? Available at: <http://www.telegraph.co.uk/finance/personalfinance/insurance/motorinsurance/11739759/Ageism-in-car-insurance-do-these-cases-prove-insurers-overcharge-older-drivers.html>

<sup>1041</sup> The Telegraph, 2015, Ageism in car insurance: do these cases prove insurers overcharge older drivers? Available at: <http://www.telegraph.co.uk/finance/personalfinance/insurance/motorinsurance/11739759/Ageism-in-car-insurance-do-these-cases-prove-insurers-overcharge-older-drivers.html>

<sup>1042</sup> Petition to UK Government and Parliament, 2016, Stop car insurance companies ripping under 25s off with sky high prices. Available at: <https://petition.parliament.uk/petitions/120950>

players and there are only a number of specific companies offering these products in the UK.

#### *Practices of insurers selling insurance products as an add-on to other primary products*

A market study carried out by the FCA on non-life insurance add-ons allowed for an **overview of insurers' practices in this field**<sup>1043</sup>. According to the study, add-on insurance is often introduced at a later stage of the sale of the primary product. However, this is not always the case. Indeed, the add-on product can be offered upfront alongside the primary product, during the sales process or once the main purchase is almost complete.

In addition, the study<sup>1044</sup> pointed out that consumers can be presented with several add-ons in relation to a single primary product. The main add-on insurance distribution channels are similar to all non-life insurance products, and include: insurers, intermediaries, retailers and PCWs. The interaction with the consumer can be carried out **in three different ways: online (company's website or PCW, e.g. when purchasing another insurance product), face to face (e.g. when booking a holiday with a travel agent), or over the phone (e.g. when scheduling a repair service)**. All these three means are also used for the sale of other non-life insurance products.

According to an interview with ABI, the most common distribution channel used for extended warranties is partnerships with retailers, while travel insurance is either bought through PCW or travel agents. However, no data were available to illustrate this.

In terms of discriminatory practices, insurance currently continues to benefit from the exemption given in the Equality Act, according to which it does not constitute an illegal practice for insurance companies to price according to risk or experience, or even to pull out a particular market segment altogether. Thus, 91% of annual travel insurance policies across the UK market impose an upper age limit. More than one in four of the annual policies examined by the charity Help the Aged, many of them from major household names, do not even cover the 9.4 million people in the UK aged 65 and over. And less than 30% cover the over-75s. When it comes to single trip policies, 77% impose an upper age limit, with a fifth freezing out anyone aged 65, and over half refusing cover to people over 75<sup>1045</sup>.

### 10.1.7. Key features of cross-border transactions of non-life insurance products

#### *Cross-border sales*

An insurance company is authorised to operate cross-border within the European Economic Area (EEA), either through freedom of establishment (FOE) or freedom to provide services (FPS), as stated in the Financial Services and Markets Act 2000 and known as **'passporting'**. **Insurance companies within the UK which intend to passport must notify the PRA and the FCA.** The PRA and the FCA consult on all passport notifications.

**The PRA's assessment of a notification from a UK firm intended to engage in FOE or FPS activities includes the assessment of the adequacy of the firm's resources and administrative structure and whether significant individuals are fit and proper to carry out**

<sup>1043</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>1044</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>1045</sup> House of Commons, 2013, Insurance and the discrimination laws. Available at: [https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwiZ4dbPgtPPAhUKJ8AKHbh\\_Cj4QFggkMAE&url=http%3A%2F%2Fwww.parliament.uk%2Fbriefing-papers%2FNS04601.pdf&usq=AFQjCNHGFuj9PCYbsu7NhMQvv8vbUkzFOA&bvm=bv.135258522,d.bGs](https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwiZ4dbPgtPPAhUKJ8AKHbh_Cj4QFggkMAE&url=http%3A%2F%2Fwww.parliament.uk%2Fbriefing-papers%2FNS04601.pdf&usq=AFQjCNHGFuj9PCYbsu7NhMQvv8vbUkzFOA&bvm=bv.135258522,d.bGs)

the proposed business. The PRA requires firms wishing to passport out of the UK to provide **information to allow the PRA's ongoing supervision of the UK parent and the consolidated group**<sup>1046</sup>. Regarding inward passporting, a firm authorised in an EEA state can offer insurance products in the UK if it holds the relevant passport. In most cases, the firm is still regulated by its home-state regulator. Upon receipt of a notification, the FCA investigates the risk that an incoming firm presents through home-state regulator, and **whether the firm meets the FCA's requirements**<sup>1047</sup>.

With regard to Insurance Premium Tax (IPT) (cf. section 10.1.1), insurers who operate via FPS are also required to pay<sup>1048</sup>. They have the possibility of appointing a tax representative to carry this out, **and must liaise with the government's HM Revenue & Customs**<sup>1049</sup>, notifying them within 30 days if they wish to receive premiums in the course of a taxable business. In addition, insurers operating in the UK via FPS are required to keep records of all business transactions affecting the amount of IPT they will have to pay, including policy documents, cover notes and endorsements. These must be kept for at least six years<sup>1050</sup>.

While no data specific to cross-border sales in the UK could be found, this was justified by the FCA, ABI, the Financial Services Consumer Panel, the Financial Inclusion Centre and **Citizen's Advice who mentioned during interviews that little activity existed in terms of provision of insurance products under FPS.**

#### *Main factors limiting cross-border insurance purchases*

According to interviews with FCA and ABI, in order to provide insurance products cross-border, the cultural preferences and the distribution frameworks of the country need to be studied, thus implying additional costs and efforts for companies. In addition, the language barrier was mentioned as one of the main obstacles to purchase, followed by the different legal requirements across Member States, and the brand recognition issue. Indeed, according to interviews with FCA, the Financial Services Consumer Panel and ABI, consumers tend to purchase products from brands they know, thus hindering FPS activity, as the foreign brand is not recognised in the country.

Furthermore, the claims handling procedures differ from country to country according to an interview with FCA, thus rendering it difficult for companies to comply fully to the foreign rules.

FCA and BIBA also mentioned during interviews that coverage needs could be different in other countries: for instance in the UK there is a demand for flooding coverage in household insurance while countries such as Italy do not require this kind of coverage due to different climatic conditions.

#### *Interventions to increase cross-border demand*

No interventions to increase cross-border demand has been recorded to date. Stakeholders were not aware of any specific public or private intervention aimed at increasing cross-border demand.

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<sup>1046</sup> Bank of England, Passporting. Available at:

<http://www.bankofengland.co.uk/prs/Pages/authorisations/passporting/default.aspx>

<sup>1047</sup> FCA, Passporting. Available at: <https://www.the-fca.org.uk/firms/passporting>

<sup>1048</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

<sup>1049</sup> HM Revenue & Customs. Available at: <https://www.gov.uk/government/organisations/hm-revenue-customs>

<sup>1050</sup> Insurance Europe, 2016, Indirect taxation on insurance contracts in Europe. Available at: <http://insuranceeurope.eu/sites/default/files/attachments/Indirect%20Taxation%202016.pdf>

## 10.2. Consumer decision-making in the non-life insurance market- evidence from the UK

### 10.2.1. Consumer understanding

**Citizen's Advice mentioned in an interview that it is current practice in the UK to have one-year insurance contracts for non-life insurance products.** Therefore, consumers are faced with buying and/or renewing their non-life insurance cover on a regular basis.

All stakeholders interviewed in the context of the study agreed that price comparison websites (PCWs) were the preferred distribution channel of UK consumers, mostly due to cultural reasons and the prevalence of the internet in all types of purchases. The use of **smartphone applications is a new trend which is also increasing (cf. 'Sales Practices and distribution channels' in Section 1.1.6).**

A general opinion shared by interviewees<sup>1051</sup> is that consumers often concentrate on price and neglect quality when searching for insurance products. In addition, the **Financial Services Consumer Panel, Citizen's Advice and ABI pointed out that consumers do not read the terms and conditions of insurance products, and therefore do not fully understand what they are covered for.** The reasons for this are explained in the sections below.

### 10.2.2. Type of problems

According to interviews with the Financial Services Consumer Panel, Financial Inclusion Centre and Citizen's Advice, **the most important problem for consumers is the lack of trust in insurance companies, which is related to the fact that consumers have a limited understanding of how the industry operates. This lack of trust is also increasing for PCWs, as many are owned by big insurance companies. Indeed, Citizen's Advice pointed out during an interview that some price comparison websites are not transparent on how they are funded, and thus conflicts of interest may arise.**

In addition, most interviewees<sup>1052</sup> mentioned that the way terms and conditions are currently drafted is problematic for consumers. Indeed, the language used is considered to be too technical, and the aforementioned interviewed organisations noted that consumers do not understand coverage and exclusions, and therefore do not receive the claim they expected when an accident occurs. Moreover, the length of the document, which can reach over 60 pages, further deters consumers from reading through terms and conditions. Therefore, consumers are not fully aware of the specifics of the insurance product they own. This is mainly due to the fact that the regulation requires insurers to provide a considerable amount of details to consumers about the product, however this currently results in too much information contained in a single document according to these interviewees.

### 10.2.3. Consumer complaints

#### *Overview of consumer complaints for non-life insurance*

Consumer can complain about the service provided by insurance firms through various entities:

- The insurance firm itself;
- The Financial Ombudsman Service (FOS) or other ADR bodies;
- The court.

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<sup>1051</sup> BIBA, FCA

<sup>1052</sup> ABI, Citizen's Advice, FCA, Financial Inclusion Centre, Financial Services Consumer Panel

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The Financial Ombudsman Service (FOS)<sup>1053</sup> was created by the UK parliament to sort out individual complaints from consumers and financial businesses. The FOS can deal with complaints regarding all types of insurance (life and non-life) and is a free service to consumers.

The standard procedure for consumers is to directly complain to the insurer. If their complaint is not dealt with within 8 weeks, they can then resort to the FOS by filling in a form online. The FOS will then deal with the complaint.

The number of complaints received by the FOS between 2011 and 2015 regarding insurance are presented excluding Payment protection insurance (PPI), as on average between 65% and 85% of complaints received per year about insurance are about this type of product, as shown in the table below.

Table 260: Share of complaints received by the UK Financial Ombudsman Service regarding payment protection insurance (PPI)

Year	Share of total complaints	Share of insurance complaints	Number of complaints
2011	60%	85%	157,716
2012	74%	92%	378,699
2013	78%	93%	399,939
2014	63%	87%	204,943
2015	56%	86%	188,712

Source: Financial Ombudsman Service, 2012-2016, Annual Review

Indeed, over half of complaints received by the UK Financial Ombudsman Service were on PPI between 2011 and 2015, representing over 85% of complaints on insurance products.

It is important to note that the number of complaints received by the FOS does not include the complaints only sent to insurance companies (this information is available from the FCA, as displayed in below). Therefore, the data on complaints in this report, does not reflect the total number of complaints filed by consumers.

Table 261: Complaints received about non-life insurance (excluding PPI)

Year	Number of complaints received
2011	27,563
2012	33,172
2013	31,213
2014	30,080
2015	31,284

<sup>1053</sup> <http://www.financial-ombudsman.org.uk/>



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Source: Financial Ombudsman Service, 2012-2016, Annual Review

According to the table, during the 2011-2015 period, 2012 recorded the highest number of complaints with 33,172. The number of complaints received by the Financial Ombudsman Service has been above 30,000 since 2012. The topics of complaints can be sorted into 3 categories: claims, sales and advice, and administration. The share of complaints regarding insurance (excluding PPI) is presented in the table below.

Table 262: Share of complaints received by the FOS according to topic

Year	Claims	Sales and advice	Administration
2011	64%	16%	20%
2012	55%	25%	20%
2013	52%	31%	17%
2014	52%	30%	18%
2015	56%	24%	20%

Source: Financial Ombudsman Service, 2012-2016, Annual Review

According to the table above, over half of the complaints received by the FOS are related to issues surrounding claims. Stakeholders interviewed<sup>1054</sup> during the study mentioned that most of this is related to consumers expecting to receive more compensation than what they actually receive, or the insurer refusing to pay-out the claims due to insufficient information provided by the consumer. On average, complaints about administration represented a fifth of all complaints received by the FOS between 2011 and 2015, while the share of complaints about sales and advice varied between 16% of complaints about insurance (excluding PPI) in 2011 and 31% in 2013. In addition, FCA gathers data on complaints received by financial service companies (including insurers and intermediaries) for monitoring purposes, and to identify problematic areas that need to be addressed. This data is published every six months, and available to the general public. It is presented in the table below.

Table 263: Complaints made to companies (including intermediaries) collected by FCA

Year	Complaints on non-life insurance (including PPI)	% of total complaints	Total number of complaints for financial services
2011	2,010,207	49.9%	4,032,195
2012	4,810,273	70.3%	6,839,200
2013	3,819,284	70.5%	5,416,776
2014	2,933,036	64.6%	4,538,005
2015	2,413,828	56.9%	4,241,663

Source: FCA, 2016, Aggregate complaints data

<sup>1054</sup> Financial Services Consumer Panel, Citizen's Advice and Association of British Insurers



## Country fiches

The table demonstrates that complaints on non-life insurance services represented on average over half of the complaints collected by the FCA between 2011 and 2015. As was the case with complaints lodged to the FOS, the number of complaints to insurers and intermediaries for non-life insurance peaked in 2012 (at 4,801,273). In addition, in 2012 and 2013, almost  $\frac{3}{4}$  of complaints to companies regarded non-life insurance (70.3% and 70.5% respectively), whereas in 2015 it fell to just above half of the complaints (56.9%).

The data collected by the FCA showed that payment protection insurance (PPI) was the financial product which received the highest share of complaints on average between 2011 and 2015. The extent of this is illustrated in the table below.

Table 264: Share of complaints collected by the FCA for PPI and other non-life insurance

Year	Complaints on PPI	% of total complaints	Complaints on other non-life insurance	% of total complaints
2011	1,414,151	35.1%	596,056	14.8%
2012	4,231,748	61.9%	578,525	8.5%
2013	3,183,291	58.8%	635,993	11.7%
2014	2,295,859	50.6%	637,177	14.0%
2015	1,812,181	42.7%	601,647	14.2%

Source: FCA, 2016, Aggregate complaints data

As demonstrated in the table above, most complaints on non-life insurance regard PPI. In 2012, 61.9% of complaints were on this product, while only 8.5% of the total complaints collected by the FCA were on other non-life insurance products.

The data collected by the FCA was not broken down according to other non-life insurance products, therefore the share of complaints regarding other categories such as motor or household could not be determined.

### *Overview of consumer complaints for household insurance*

Consumers can address their complaints regarding household insurance to the insurers as well as the Financial Ombudsman Service.

The table below illustrates the number of complaints received by the FOS between 2011 and 2015 regarding buildings and contents insurance, as well as what this represents in the share of total complaints about insurance (excluding PPI).

Table 265: Complaints received by the FOS regarding household insurance

Year	Complaints- Buildings insurance	Share of total insurance complaints	Complaints - Contents insurance	Share of total insurance complaints
2011	4,556	16.5%	2,089	7.5%
2012	4,611	14.0%	2,027	6.0%
2013	4,095	13.0%	1,771	6.0%

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Year	Complaints- Buildings insurance	Share of total insurance complaints	Complaints – Contents insurance	Share of total insurance complaints
2014	4,510	15.0%	1,436	5.0%
2015	4,095	13.0%	1,389	4.5%

Source: Financial Ombudsman Service, 2012-2016, Annual Review

According to the table above, most complaints on household insurance regard buildings insurance rather than contents insurance. Indeed, between 13% and 16.5% of complaints about insurance are on buildings insurance, while between 4.5% and 7.5% of these are on contents. For both products, the lowest number of complaints was received in 2015, with 4,095 for buildings (also in 2013) and 1,389 for contents. Complaints regarding contents insurance experienced a year-on-year decrease between 2011 and 2015, in terms of the number of complaints as well as the share of total complaints.

Regarding the topic of the complaints, no information specific to household insurance was **available. Please see 'Overview of consumer complaints' for more information on the topics** relating to insurance (excluding PPI), which include this category of product.

According to the European Commission 2016 Consumer Market Scoreboard<sup>1055</sup> and as illustrated in Table 10 of Annex I, 3.8% of the respondents declared having experienced at least one problem with household insurance in 2015, and estimate the detriment from this problem on average at 7.4 on a 0-10 range. 89.8% of the respondents having experienced at least one problem complained, including 80.5% to their retailer/provider and 8.1% to third-party complaint bodies. Thus, the share of UK consumers having experienced problems is lower than the EU 28 average but their level of detriment is above. The share of UK respondents who complained after experiencing a problem is 14% higher than the EU 28 average, with one third more complaints to retailers/producers and but less complaints to third-party complaint bodies compared to the EU 28 average. As the Scoreboard suggests, this higher rate of complaints may be linked to the empowerment of consumers who are more aware of the complaint handling and redress procedures.

### *Overview of consumer complaints for motor insurance*

Consumers can address their complaints regarding motor insurance to the insurers as well as **as the Financial Ombudsman Service (cf. 'Overview of consumer complaints')**.

The table below illustrates the number of complaints received by the FOS between 2011 and 2015 regarding motor insurance, as well as what this represents in the share of total complaints about insurance (excluding PPI).

Table 266: Complaints received by the FOS regarding motor insurance

Year	Complaints – Motor insurance	Share of total insurance complaints
2011	7,264	26.5%
2012	7,785	23.5%

<sup>1055</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

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Year	Complaints – Motor insurance	Share of total insurance complaints
2013	7,190	23.0%
2014	7,361	24.5%
2015	8,585	27.5%

Source: Financial Ombudsman Service, 2012-2016, Annual Review

According to the table, between 2011 and 2015, the year with the highest number of complaints regarding motor insurance was 2015 with 8,585 complaints received, representing 27.5% of all complaints on insurance (excluding PPI). On average, complaints on motor insurance represented a quarter of complaints received on insurance.

Regarding the topic of the complaints, no information specific to motor insurance was **available. Please see 'Overview of consumer complaints' for more information on the topics** relating to insurance (excluding PPI), which include this category of product.

According to the European Commission 2016 Consumer Market Scoreboard<sup>1056</sup> and as illustrated in Table 10 of Annex I, 5.1% of the respondents declared having experienced at least one problem with motor insurance in 2015, and estimate the detriment from this problem on average at 5.3 on a 0-10 range. 83.2% of the respondents having experienced at least one problem complained, including 70.8% to their retailer/provider and 15.7% to third-party complaint bodies. Thus, the share of UK consumers having experienced problems is higher than the EU 28 average but their level of detriment is lower. The share of UK respondents who complained after experiencing a problem is close to the EU 28 average, but with slightly more complaints to retailers/producers and to third-party complaint bodies compared to the EU 28 average.

### *Overview of consumer complaints for car rental insurance*

Consumers can address their complaints regarding car rental insurance to the insurers as **well as the Financial Ombudsman Service (cf. 'Overview of complaints')**. The British Vehicle Rental and Leasing Association (BVRLA) also acts as an Alternative Dispute Resolution (ADR) body, however no further information or data on this service were available.

**No data specific to car rental insurance were available. Please see 'Overview of complaints'** for more information on complaints relating to insurance (excluding PPI), which include this category of product.

### *Overview of consumer complaints for add-on insurance*

Consumers can address their complaints regarding add-on insurance to the insurers as well as the Financial Ombudsman Service (**cf. 'Overview of consumer complaints'**). In addition, for complaints related to travel insurance, complaints can be addressed to the Association of British Travel Agents (ABTA)<sup>1057</sup> which also acts as a consumer ADR body, approved by the government, if one of their members is concerned. However, no data on complaints addressed to this service were available.

<sup>1056</sup> European Commission, 2016, The European Market Scoreboard. Making markets work for consumers. Available at: <http://81.247.254.96/QvAJAXZfc/opendoc.htm?document=ConsumerScoreboard.qvw&host=QVS%40vsrv1463&anonymous=true>

<sup>1057</sup> [abta.com](http://abta.com)

The table below illustrates the number of complaints received by the FOS between 2011 and 2015 regarding travel, home assistance and extended warranty insurance, as well as what this represents in the share of total complaints about insurance (excluding PPI).

Table 267: Complaints received by the FOS regarding add-on insurance products

Year	Travel insurance	Share of total	Extended warranty	Share of total	Home assistance	Share of total
2011	2,431	9.0%	881	3.0%	1,473	5.5%
2012	2,742	8.0%	903	2.5%	1,284	4.0%
2013	2,271	7.0%	755	2.5%	1,387	4.5%
2014	2,318	7.5%	777	2.5%	1,298	4.0%
2015	2,267	7.0%	934	3.0%	1,215	5.5%

Source: Financial Ombudsman Service, 2012-2016, Annual Review

Out of the three add-on products considered in the study, the biggest share of complaints received were on travel insurance, followed by home assistance, with extended warranty receiving the least amount of complaints. On average, between 2011 and 2015, 7.5% of complaints on insurance were about travel insurance, 4.5% on home assistance and 2.5% on extended warranty.

Regarding the topic of the complaints, no information specific to add-on insurance products was available. Please see 'Overview of consumer complaints' for more information on the topics relating to insurance (excluding PPI), which include this category of product.

#### *Cross-border consumer complaints*

Due to the small share of cross-border sales under FPS identified in the UK, no data specific to cross-border consumer complaints were available. Please see 'Overview of consumer complaints' for more information about complaints regarding non-life insurance products in the UK.

#### 10.2.4. Access to information

The main information source for insurance products for consumers is the independent consumer organisation Which<sup>1058</sup>. Furthermore, the Money Advice service offers independent impartial comparative services regarding insurance products for consumers<sup>1059</sup>.

The FCA study on non-life add-on insurance indicated that there is often little information available to consumers regarding the quality and price of add-on products, and that the information which is available is commonly presented late in the sales process<sup>1060</sup>. According to interviews with BIBA and Citizen's Advice, this statement is also true for all non-life insurance products.

Citizen's Advice, the Financial Inclusion Centre and BIBA mentioned during interviews that it is easy to find basic information such as price, however information on terms and

<sup>1058</sup> [www.which.co.uk](http://www.which.co.uk)

<sup>1059</sup> <https://www.moneyadviceservice.org.uk/en>

<sup>1060</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

conditions and exclusions are more difficult to access for consumers. Claims ratios, which indicate the return on investment for consumers (i.e. the percentage consumers can expect to receive in claims out of the premium paid), are also hard to find.

In addition, while PCWs allow consumers to have an overview of the products available on **the market, interviews with Citizen's Advice and that PCWs do not always cover the whole market**. Therefore, consumers often need to look at a series of PCWs in order to have a complete overview of the market.

### 10.2.5. Switching behaviour

According to a study conducted by the FCA<sup>1061</sup>, most household and motor insurance policies in the UK have an automatic annual renewal system at a price established by the insurer. The FCA pointed out that, while this system is positive in ensuring seamless coverage to people, vulnerable groups might pay high prices as a result. Indeed, consumers who have been with the same household insurer for five years pay on average 70% more than new customers. The study demonstrated that if the premium from the previous year was shown to consumers at renewal, between 11% and 18% more consumers would switch household insurance policy or negotiate the premium.

The study carried out by the FCA also points out the costs of switching insurance company lying upon the consumers, namely: the effort, time and other cost associated with shopping around (such as comparing policy premiums, excesses and coverage) and switching.

In the UK, it is common to have one-year insurance contracts, therefore the renewal process is a tool for consumers to assess the market and maybe switch insurance providers. According to Citizen's Advice, the lack of deals for consumers who are loyal to an insurance provider is driving consumers to switch.

In addition, the Financial Services Consumer Panel and the FCA mentioned that regulators advise consumers to regularly switch their insurance policy provider to drive the competition. Indeed, the one-year nature of insurance contracts and the presence of PCWs have eased the switching process not only for consumers, but also for insurers. Insurance intermediaries also help consumers switch policies. However, the Financial Services Consumer Panel interviewed in the context of the study noted that they disagreed with this approach, as it might increase the level of premiums.

According to an interview with BIBA, there is a 70% rate of switching for motor insurance.

### 10.2.6. Consumer awareness

The main consumer awareness campaigns carried out in the UK to improve consumer information about non-life insurance products have been carried out online by consumer association and organisations such as Which<sup>1062</sup>, **Citizen's Advice**<sup>1063</sup> and the Money Advice service<sup>1064</sup>.

Which and the Money Advice service offer detailed information and advice on the main non-life insurance products (i.e. motor, household and travel insurance), including reviews

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<sup>1061</sup> FCA, 2015, Encouraging consumers to act at renewal - Evidence from field trials in the home and motor insurance markets, Occasional Paper No.12. Available at: <https://www.fca.org.uk/publication/occasional-papers/occasional-paper-12.pdf>

<sup>1062</sup> [www.which.co.uk](http://www.which.co.uk)

<sup>1063</sup> <https://www.citizensadvice.org.uk/>

<sup>1064</sup> <https://www.moneyadviceservice.org.uk/en>

of insurance companies to advise consumers on which policy and provider are best suited to their needs.

The FCA has made efforts to adapt the non-life insurance market in order to improve consumer decision-making. Through its Insurance Conduct of Business Sourcebook (ICOBS)<sup>1065</sup> (described in section 10.1.1), it requires companies to ensure that a consumer is given appropriate information about a policy, so that they can make an informed decision about the arrangements proposed. The rules require this information to be given “in good time”, so that this decision can be made. The FCA’s guidance states that, in determining what is “in good time”, a company should consider the importance of the information to the consumer’s decision making process and the point at which the information would be most useful<sup>1066</sup>.

### 10.3. Effectiveness of remedies in helping consumers to make better decisions – evidence from the UK

#### 10.3.1. Factors potentially leading to problems with consumer decision-making

##### *Non-life insurance*

One of the main issues pointed out during interviews<sup>1067</sup> was the overall lack of trust in the insurance sector, thus leading to consumers not making informed decisions as they do not trust the information provided by insurance companies and therefore do not read terms and conditions.

The complexity of the language and the length of terms and conditions was mentioned during interviews with all stakeholders as an important problem for consumers in the insurance sector. While the regulatory requirements are fulfilled by insurance companies, the information can be hard to find and to understand for consumers, thus leading to misinformed decisions.

**In addition, Citizen’s Advice mentioned during** an interview that there is currently an emphasis on price competition, thus creating detriments as the quality of the product is not always considered in the decision-making process.

Regarding duplicate insurance cover, while no quantitative data was available as this information is not collected, the Financial Inclusion Centre noted during an interview that because of the compulsory nature of motor third party liability insurance, consumers are used to buying it and are more aware of its specificities; therefore they are less likely to own duplicate cover. However, consumers are generally less aware of household insurance according to the Financial Inclusion Centre, and duplicate cover is therefore more common for this category of product.

Consumer associations interviewed<sup>1068</sup> during the study noted the existence of problems during the claim handling process. Indeed, the process can be difficult to comprehend for consumers due to a lack of transparency, and therefore the outcome of the claim can be different from what consumers expected.

**The FCA’s study on add-on insurance demonstrated** that consumers are often given limited information about the cover of products before they purchase it, and the price is not always

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<sup>1065</sup> FCA, 2016, Insurance Conduct Business Sourcebook. <https://www.the-fca.org.uk/firms/insurance-conduct-business-sourcebook-icobs>

<sup>1066</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>1067</sup> Financial Services Consumer Panel, Financial Inclusion Centre and Citizen’s Advice

<sup>1068</sup> Citizen’s Advice and the Financial Services Consumer Panel

clearly stated as it is bundled with the price of the primary product, which can be misleading<sup>1069</sup>.

In addition, the timing of the introduction of the add-on was presented as a difficulty for consumers, as well as the lack of transparency on quality and price. According to the FCA study, add-on consumers often do not know that they own add-on insurance as it was bought as a bundle along with the primary product. Indeed, in the survey carried out with consumers in the context of the FCA study, 1 in 5 consumers were not aware that they owned the product.

Due to the late introduction of the product in the sale process, consumers sometimes do not think about buying it before the day of the purchase and therefore do not have time to reflect before making the decision. Finally, consumers can own duplicate insurance cover through the purchase of an add-on product as they do not have time to consider the purchase and concentrate on the primary product, rather than what is offered in the add-on insurance policy<sup>1070</sup>.

According to the study, the competition in the market for non-life add-on insurance in the UK is not effective, which can lead to poor consumer outcomes, such as overpaying when buying add-on insurance products.

However, the study also pointed out that travel insurance encountered less issues than other products, as consumers buy it more frequently and are therefore more familiar with it.

### 10.3.2. Remedies that have been proposed or put in place

#### *Remedies related to non-life insurance*

ABI has made efforts to increase transparency for consumers through the publicly available premium tracker for motor<sup>1071</sup> and household<sup>1072</sup> insurance, offering information on the average premium paid in the UK per person every quarter of the year. They have focused on motor insurance as it is compulsory, and on household as it is often required if consumers wish to take out a mortgage.

**The British Insurance Broker's Association (BIBA)<sup>1073</sup> started the "Find-A-Broker" service<sup>1074</sup>, to help vulnerable consumers who have difficulties finding an insurance policy.** These difficulties can arise because of a specific disability or situation, for which consumers are less inclined to agree on a policy. This has allowed an average of 250,000 consumers per year to have more tailored advice towards finding the best available insurance policy for them, and therefore improved their decision-making process.

**In January 2016, ABI and BIBA published their "Code of Good Practice regarding support for potentially vulnerable motor and household customers at renewal"<sup>1075</sup>.** Vulnerable customers are e.g. young people, the elderly community, injured

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<sup>1069</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>1070</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies. Available at: <https://www.fca.org.uk/publication/market-studies/ms14-01.pdf>

<sup>1071</sup> ABI, 2016, ABI average quarterly motor insurance premium tracker, Q4 2015 statistics. Available at: <https://www.abi.org.uk/News/Industry-data-updates/2016/01/ABI-average-motor-insurance-premium-tracker-Q4-2015-data>

<sup>1072</sup> ABI, 2016, ABI average quarterly motor insurance premium tracker, Q4 2015 statistics. Available at: <https://www.abi.org.uk/News/Industry-data-updates/2016/01/ABI-average-motor-insurance-premium-tracker-Q4-2015-data>

<sup>1073</sup> [www.biba.org.uk](http://www.biba.org.uk)

<sup>1074</sup> BIBA, 2016, Manifesto 2016. Available at: <https://view.publitas.com/biba/biba-manifesto-2016/page/1>

<sup>1075</sup> ABI and BIBA, 2016, ABI and BIBA Code of Good Practice regarding support for potentially vulnerable motor and household customers at renewal. Available at:



people, non-native speakers, etc. The Code states that these associations and the insurers which adhere to the Code will help consumers understand the choices which are available to them, as well as the ease of the switching procedure (cf. section 10.2.51.2.5). This is a voluntary Code, and ABI and BIBA encourage insurance companies to subscribe to it. According to an interview with BIBA, the Code received 500 clicks in the first week after it was launched, thus showing that there is an interest. As it was recently published, no information on the success of the Code is currently available.

According to interviews with ABI and the FCA, the industry has taken action to reduce the technical legal language as well as the lengths of terms and conditions to improve consumer understanding. However, this effort can be hindered by regulatory requirements on the information which must be disclosed to consumers according to an interview with BIBA.

In addition, ABI mentioned during an interview that insurers are trying to improve communication with consumers through the use of e.g. smartphone technology, where consumers can make a claim by taking a photograph of the incident on their smartphone, and sending it to the insurer. According to an interview with ABI, this practice is increasing, and encouraged by the industry in the UK.

ABI also pointed out during interviews that in order to implement successful remedies, more studies on the status quo of consumer understanding must be carried out in the UK. In this way, regulators and insurers will have a baseline to work on, to improve the situation in the most efficient way possible.

**During an interview with Citizen's Advice, collaborative actions between consumer associations and the FCA were mentioned, particularly to help insurers find solutions in order to make terms and conditions clearer to consumers. This is mainly carried out through research studies and meetings with trade bodies and individual suppliers.**

Regarding the lack of transparency of PCWs and their business model, a solution suggested **by Citizen's Advice during an interview was to have a seal of approval given by the regulator (FCA) on the website, which is a procedure that already exists in the energy market<sup>1076</sup>. The seal would prove to consumers that the PCW adheres to a set of transparent practices drafted by the regulator, through their subscription to a voluntary code of practice. This solution is expected to improve consumers' trust in PCW.**

Following its study on the add-on insurance market<sup>1077</sup> the FCA introduced new rules and guidance<sup>1078</sup>, which entered into force on 1<sup>st</sup> April 2016, whereby insurers can no longer automatically include **add-on products within the policy as a 'package'**. Opt-out sales are banned unless they are provided for free to the customer and provision of product information is required. The FCA expected the provision of information to customers about **add-on products to be reflected in firms' sales practices by September 2016.**

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[https://www.abi.org.uk/~/\\_media/Files/Documents/Publications/Public/2016/Vulnerable%20customers/ABI%20BIBA%20Code%20Good%20Practice%20support%20potentially%20vulnerable%20motor%20household%20customers%20renewal.pdf](https://www.abi.org.uk/~/_media/Files/Documents/Publications/Public/2016/Vulnerable%20customers/ABI%20BIBA%20Code%20Good%20Practice%20support%20potentially%20vulnerable%20motor%20household%20customers%20renewal.pdf)

<sup>1076</sup> Energywatch is a consumer organisation which developed a voluntary code of conduct for PCWs in the energy market. PCWs displaying the "Consumer Focus Confidence Code" logo adhere to the code. More information is available here: <http://www.energysavingadvice.co.uk/cheaper-energy-bills/energy-price-comparison-sites.php>

<sup>1077</sup> FCA, 2014, General insurance add-ons: Provisional findings of market study and proposed remedies

<sup>1078</sup> FCA, 2015, Policy Statement PS15/22. Available at: <https://www.fca.org.uk/publication/policy/policy-statement-15-22-general-insurance-add-ons.pdf>



## 11. Annex 1: List of acronyms

EU wide insurance terms

ADR - Alternative Dispute Resolution

B2B – Business to Business

B2C – Business to Consumer

CASCO – Comprehensive Motor Coverage

CDW - Collision Damage Waiver

DER – Damage Excess Refund

ECC - European Consumer Centre

EIOPA - European Insurance and Occupational Pensions Authority

FIN-NET - Financial dispute resolution network of national out-of-court complaint schemes in the EEA countries

FOE - Freedom of Establishment

FPS - Freedom to Provide Services

FSA – Financial Supervisory Authority

FSUG - Financial Service User Group of the European Commission

GDP – Gross Domestic Product

GWP - Gross Written Premium

IBER - Insurance Block Exemption Regulation

IDD - Insurance Distribution Directive

IMD - Insurance Mediation Directive

KID – Key Information Document

LDW - Loss Damage Waiver

M3PL - Third party liability insurance

MiFID - Markets in Financial Instruments Directive

MPI - Market Performance Indicator

MTLP - Third party liability insurance

PAI - Personal Accident Insurance

PAP - Personal Accident Protection

## Country fiches

PCW - Price Comparison Websites

PID - Product Information Document

PPI - Payment Protection Insurance

PRIPs Regulation - Packaged retail and insurance-based investment products Regulation

SPAI - Super Personal Accident Insurance

TPI - Third Party Insurance

TW - Theft Waiver

France

ACPR - Autorité de contrôle prudentiel et de résolution

AGEA - **Fédération Nationale des Syndicats d'Agents Généraux d'Assurance**

ALFA - **Association de Lutte contre la Fraude à l'Assurance**

CCSF - Comité Consultatif du Secteur Financier

CLCV - Consommation Logement Cadre de Vie

DGCCRF - Direction Générale de la Concurrence de la Consommation et de la Répression des Fraudes

FFA - **Fédération Française de l'Assurance**

FFSA - Fédération française des sociétés d'assurances

FG2A - Fédération des Garanties et Assurances Affinitaires

Gema - Groupement des entreprises mutuelles d'assurance

INC - Institut National de la Consommation

Germany

BaFin - Bundesanstalt für Finanzdienstleistungsaufsicht

GDV - Gesamtverband der Deutschen Versicherungswirtschaft e.V.

ICA - Insurance Contract Act

TGIC - Trusted German Insurance Cloud

VZBV - Verbraucherzentrale Bundesverband e.V.

Italy

AIBA - Associazione Italiana Brokers Di Assicurazione

ANIA - Associazione Nazionale fra le Imprese Assicuratrici

## Country fiches

BCG – Boston Consulting Group

CNCU - Consiglio Nazionale dei Consumatori e degli Utenti

IVASS - Istituto per la Vigilanza sulle Assicurazioni

MISE - Ministero dello Sviluppo Economico

S&P – Standard and Poor

UNC - Unione Nazionale Consumatori

Latvia

CRPC - Consumer Rights Protection Centre

FCMC - Financial and Capital Market Commission or FKTK - **Finanšu un kapitāla tirgus komisija**

LIBA - Latvian Insurance Brokers Association

MIB - **Association Motor Insurers' Bureau of Latvia or LTAB - Latvijas Transportlīdzekļu apdrošinātāju birojs**

OECD - Organisation for Economic Co-operation and Development

Luxembourg

ACA - **Association des Compagnies d'Assurance**

APCAL - **Association Professionnelle des Courtiers d'Assurance**

CAA - Commissariat aux Assurances

CSL - Chambre des Salariés Luxembourg

UCL - Union des Consommateurs Luxembourgeois

ULC - Union Luxembourgeoise des Consommateurs

Romania

APPA - Asociatia Pentru Promovarea Asigurarilor

AURSF - Asociatia Utilizatorilor Romani de Servicii Financiare

FPVS - Fondul de Protectie a Victimelor Strazii

PAID - Pool Against Natural Disasters

RCA - **Răspundere Civilă Auto**

SAL-FIN - Entitatea de Solutionare Alternativa a Litigiilor in Domeniul Financiar Nonbancar

UNISCAR - Uniunea Nationala a Societatilor de Intermediere si Consultanta in Asigurari din Romania

## Country fiches

UNRAR - Uniunea Nationala a Societatilor de Asigurare din Romania

Slovakia

GT – Tire and Glass Coverage

IBV NBS - **Inštitút bankového vzdelávania NBS**

NBS - Národná banka Slovenska

PZP - Povinné zmluvné poistenie

SOS Poprad - **Stredná odborná škola Poprad**

Spain

ADECOSE - Asociación Española de Corredurías de Seguros

ADICAE - Asociaciones de Consumidores del Instituto Nacional de Consumo de España

CCS - Consorcio de Compensación de Seguros

CICOS – Computer Centre for Claim Compensation

CNMV - Comisión Nacional del Mercado de Valores

DGSFP - Dirección General de Seguros y Fondos de Pensiones

LMSRP - Ley de mediación de seguros y reaseguros privados

OCU - Organización de Consumidores y Usuarios.

SDM – Property Damage Claims

UNESPA - Unión Española de Entidades Aseguradoras y Reaseguradoras

Sweden

ARN - Almäna reklamationsnämnden

FAL - Försäkringsavtalslagen

FI - Finansinspektionen

FRL - Försäkringsrörelselagen

United Kingdom

ABI - Association of British Insurers

ABTA - Association of British Travel Agents

BIBA - **British Insurance Broker's Association**

BVRLA - British Vehicle Rental and Leasing Association

CMA - Competition and Markets Authority

## Country fiches

FCA - Financial Conduct Authority

FOS - Financial Ombudsman Service

FSCS - Financial Services Compensation Scheme

ICOBS - Insurance Conduct of Business Sourcebook

IPT - Insurance Premium Tax

MIB - Motor Insurers' Bureau

PRA - Prudential Regulation Authority

## 12. Annex 2: Non-life data tables

Table 268: Non-life insurance penetration (excluding and including health) across studied countries (2011-2014)

Country	2011		2012		2013		2014	
	Excl. health	Incl. health	Excl. health	Incl. health	Excl. health	Incl. health	Excl. health	Incl. health
DE	2.1%	3.4%	2.1%	3.4%	2.2%	3.4%	2.2%	3.4%
ES	2.2%	2.8%	2.2%	2.8%	2.2%	2.8%	2.1%	2.8%
FR	2.6%	3.1%	2.7%	3.2%	2.7%	3.2%	2.7%	3.2%
IT	2.1%	2.2%	2.0%	2.2%	1.9%	2.1%	1.9%	2.0%
LU	1.7%	1.8%	1.7%	1.8%	1.7%	1.8%	1.6%	1.7%
LV	1.3%	1.4%	1.3%	1.4%	1.7%	1.9%	1.2%	1.4%
RO	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%
SE	1.4%	1.5%	1.3%	1.1%	1.3%	1.2%	1.4%	1.4%
SK	N/A	1.2%	N/A	1.2%	1.2%	1.3%	1.2%	1.3%
UK	3.3%	3.6%	3.1%	3.4%	3.1%	3.4%	2.6%	3.0%

Source: Insurance Europe, 2016, European Insurance Industry Database

Table 269: Non-life insurance density (excluding and including health) across studied countries (2011-2014) in EUR

Country	2011		2012		2013		2014	
	Excl. health	Incl. health	Excl. health	Incl. health	Excl. health	Incl. health	Excl. health	Incl. health
DE	693	1,117	716	1,152	738	1,178	775	1,225
ES	506	644	499	641	484	629	477	629
FR	833	980	853	1,107	865	1,023	873	1,037
IT	569	605	554	590	523	558	500	533
LU	1,394	1,470	1,419	1,522	1,432	1,536	1,397	1,512
LV	128	139	142	156	199	219	147	163
RO	67	67	63	63	72	72	72	72
SE	589	660	592	476	612	569	635	646
SK	N/A	161	N/A	160	167	173	172	178
UK	980	1,068	990	1,085	978	1,077	913	1,021

Source: Insurance Europe, 2016, European Insurance Industry Database

Country fiches

Table 270: Non-life insurance market concentration across countries studied (5 largest companies)

Country	2011	2012	2013	2014
DE	42%	42%	41%	41%
ES	48%	45%	45%	45%
FR	55%	55%	56%	56%
IT	69%	67%	73%	72%
LU	88%	89%	N/A	N/A
LV	N/A	N/A	N/A	N/A
RO	N/A	68%	N/A	N/A
SE	83%	83%	84%	84%
SK	87%	86%	N/A	N/A
UK	41%	41%	N/A	N/A

Source: Insurance Europe, 2016, European Insurance Structural Data.

Table 271: Number of direct employees on the domestic insurance market across countries studied

Country	2011	2012	2013	2014	2015
DE	300,400	301,300	300,900	293,510	295,580
ES	47,265	46,726	46,324	45,876	45,876
FR	147,500	148,200	147,300	146,600	147,100
IT	47,477	47,712	47,936	47,452	46,754
LU	3,572	3,609	3,725	4,439	4,911
LV	N/A	3,000	3,000	3,000	3,000
RO	8,230	11,837	12,299	9,346	9,346
SE	20,428	20,551	20,710	16,782	17,376
SK	6,097	6,097	6,099	5,981	5,785
UK	110,363	105,800	104,715	100,800	100,800

Source: Insurance Europe, 2016, European Insurance Structural Data.

Table 272: Non-life insurance (excluding and including health) gross written premiums (GWP) on the domestic market in million EUR

Country	2011		2012		2013		2014	
	Excl. health	Incl. health	Excl. health	Incl. health	Excl. health	Incl. health	Excl. health	Incl. health
DE	56,615	91,282	58,619	94,247	60,556	96,607	62,581	98,904
ES	23,609	30,035	23,356	29,993	22,594	29,378	22,186	29,262
FR	54,155	63,678	55,673	65,760	56,684	67,100	57,471	68,300
IT	33,770	35,942	32,878	35,014	31,244	33,314	30,369	32,425

Country fiches

Country	2011		2012		2013		2014	
LU	714	753	745	799	769	825	768	831
LV	265	288	290	319	403	444	295	327
RO	1,351	1,357	1,267	1,276	1,436	1,448	1,430	1,438
SE	5,550	6,211	5,616	4,509	5,844	5,437	6,121	6,230
SK	N/A	870	N/A	863	902	937	929	965
UK	61,759	67,285	62,858	68,900	62,471	68,806	58,685	65,648

Source: Insurance Europe, 2016, European Insurance Industry Database

Table 273: Non-life insurance earned premiums in million EUR

Country	2011	2012	2013	2014	2015
DE	63,515	66,923	69,298	71,215	N/A
ES	31,348	31,515	30,985	30,863	31,147
FR	45,940	47,010	47,210	48,160	N/A
IT	33,590	33,257	32,241	31,353	30,675
LU	2,333	2,555	2,927	2,897	3,191
LV	242.3	275.2	281.1	298.9	304.5
RO	437	450	508	550	699
SE	N/A	N/A	5,704	6,520	N/A
SK	930	927	917	928	954
UK	N/A	N/A	N/A	N/A	N/A

Sources: DE: Bafin, 2014, Statistik der Bundesanstalt für Finanzdienstleistungsaufsicht – Erstversicherungsunternehmen und Pensionsfonds; ES: Dirección General de Seguros y Fondos de Pensiones 2011 to 2015, Informes Seguros y Fondos de Pensiones.; FR: ACPR, 2014, Figures of the Bank and Insurance Market in France; IT: IVASS, 2016, Relazione sull'attività svolta dall'Istituto nell'anno 2015; LU: Commissariat aux Assurances, 2016, Annexe au Rapport Annuel 2015/2016; LV: Financial and Capital Market Commission, 2011-2015, Operation of Insurance Companies; RO: Financial Supervisory Authority, 2016, Annual Report 2015; Financial Supervisory Authority, 2015, Prime brute subscribe - Asigurari generale la data de 30.06.2014 (LEI) and same documents for years 2008-2013; SE: Statistics Sweden; SK: National Bank of Slovakia. UK: no data publicly available

Table 274: Non-life claim expenditure and claims paid (including health) in million EUR

Country	2011		2012		2013		2014	
	Gross claims expenditure	Claims paid	Gross claims expenditure	Claims paid	Gross claims expenditure	Claims paid	Gross claims expenditure	Claims paid
DE	82,258	66,548	84,977	67,536	91,347	74,002	87,550	70,172
ES	20,524	21,198	20,703	21,079	20,793	21,178	20,108	19,347



Country fiches

Country	2011		2012		2013		2014	
FR	40,653	38,157	41,820	38,187	46,094	46,800	N/A	47,500
IT	27,662	26,463	26,301	25,331	22,882	24,241	N/A	22,703
LU	437	449	506	438	506	509	N/A	579
LV	188	163	176	169	173	165	N/A	184
RO	1,098	922	971	977	971	941	N/A	900
SE	5,450	5,470	6,797	5,472	6,384	5,742	N/A	6,347
SK	N/A	518	N/A	452	N/A	470	N/A	459
UK	45,952	44,560	46,741	46,081	34,851	49,216	N/A	40,492

Source: Insurance Europe, 2016, European Insurance Industry Database

Table 275: Non-life claim ratio (or loss ratio) and expense ratio

Country	2011		2012		2013		2014	
	Claim ratio	Expense ratio	Claim ratio	Expense ratio	Claim ratio	Expense ratio	Claim ratio	Expense ratio
DE	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ES	73%	22%	73%	23%	76%	23%	73%	N/A
FR	62%	31%	63%	30%	67%	31%	0%	N/A
IT	81%	24%	80%	24%	72%	25%	98%	N/A
LU	32%	25%	33%	25%	33%	24%	0%	N/A
LV	78%	34%	64%	35%	62%	23%	N/A	N/A
RO	86%	36%	67%	39%	68%	34%	N/A	N/A
SE	36%	18%	39%	26%	34%	22%	N/A	N/A
SK	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
UK	67%	18%	68%	19%	53%	20%	N/A	N/A

Source: Insurance Europe, 2016, European Insurance Industry Database

Table 276: Non-life combined ratios across countries studied (2011-2013)

Country	2011	2012	2013
DE1	98%	97%	104%
ES	95%	96%	98%
FR	93%	94%	98%
IT	106%	105%	98%
LU	57%	58%	57%
LV	112%	99%	85%
RO	122%	106%	102%
SE	82%	125%	106%
SK	N/A	N/A	N/A
UK	85%	87%	73%

## Country fiches

Source: Insurance Europe, 2016, European Insurance Industry Database. 1. GDV Statistical Yearbook 2015.

Table 277 : Consumer problems, detriment and complaints, 2015

Insurance product	% of respondents having experienced at least one problem	Level of detriment caused by that problem on a 0-10 range	% of respondents having experienced a problem who complained	Of which complaints to retailer/producer	Of which complaints to third-party complaint body
EU 28					
Household	5.4%	6.3	78.4%	60.3%	10.8%
Motor	4.7%	6.3	82.5%	67.5%	12.4%
DE					
Household	5.4%	6.4	65.9%	44.8%	0%
Motor	3%	6.2	80.4%	73.3%	0%
ES					
Household	15.6%	6.5	88.4%	82.3%	15.3%
Motor	5.9%	7.4	82.3%	76.4%	15%
FR					
Household	5.4%	5.8	74.9%	24.4%	7%
Motor	3.9%	6.8	76.5%	65.7%	0%
IT					
Household	4.7%	5.5	77.9%	68.1%	5.8%
Motor	5.5%	7.3	94.1%	75.4%	12.8%
LU					
Household	6.6%	6.9	79.2%	31.6%	10.9%
Motor	3%	7.5	100%	69.1%	0%
LV					
Household	4.3%	5.5	76.9%	61.4%	10%
Motor	2.7%	6.1	58.8%	39.1%	6.9%
RO					
Household	2.1%	4.1	46.2%	19.1%	27%
Motor	4%	6.7	79.1%	37.3%	25.1%
SE					
Household	2%	5.4	80.7%	80.7%	7.8%
Motor	6.5%	3.9	88.1%	72.8%	15.4%
SK					

## Country fiches

Insurance product	% of respondents having experienced at least one problem	Level of detriment caused by that problem on a 0-10 range	% of respondents having experienced a problem who complained	Of which complaints to retailer/producer	Of which complaints to third-party complaint body
Household	4.2%	5	63.6%	38%	3.9%
Motor	7.7%	5.6	76.6%	42.4%	15.3%
UK					
Household	3.8%	7.4	89.8%	80.5%	8.1%
Motor	5.1%	5.3	83.2%	70.8%	15.7%

Source: European Commission, 2016, The European Market Scoreboard.

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