Draft Issues Paper on customers receiving value from insurance products

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Established in 1994, the IAIS is the international standard-setting body responsible for developing principles, standards and other supporting material for the supervision of the insurance sector and assisting in their implementation. The IAIS also provides a forum for Members to share their experiences and understanding of insurance supervision and insurance markets.

The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators and assists in shaping financial systems globally. In particular, the IAIS is a member of the Financial Stability Board (FSB), member of the Standards Advisory Council of the International Accounting Standards Board (IASB), and partner in the Access to Insurance Initiative (A2ii). In recognition of its collective expertise, the IAIS also is routinely called upon by the G20 leaders and other international standard-setting bodies for input on insurance issues as well as on issues related to the regulation and supervision of the global financial sector.

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Issues Papers provide background on particular topics, describe current practices, actual examples or case studies pertaining to a particular topic and/or identify related regulatory and supervisory issues and challenges. Issues Papers are primary descriptive and not meant to create expectations on how supervisors should implement supervisory material. Issues Papers often form part of the preparatory work for developing standards and may contain recommendations for future work by the IAIS.

International Association of Insurance Supervisors
c/o Bank for International Settlements
CH-4002 Basel
Switzerland
Tel: +41 61 280 8090

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Contents

Acronyms

ACR	All cost ratio
AFM	Dutch Authority for the Financial Markets
ASIC	Australian Securities and Investments Commission
AZN	Insurance Supervision Agency (Slovenia)
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BETA	Behavioural Economics Team of the Australian Government
BNM	Bank Negara Malaysia
BSC	Balanced Scorecard
CBI	Central Bank of Ireland
CCI	Consumer Credit Insurance
CCRI	Credit Card Repayment Insurance
CDI	California Department of Insurance
CPI	Credit Protection Insurance
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
FCA	Financial Conduct Authority (United Kingdom)
FMA	Financial Market Authority (New Zealand)
FSC	Financial Services Commission (Mauritius)
FSMA	Financial Services and Markets Authority (Belgium)
FTFC	Fair Treatment of Financial Consumers Policy Document
FVA	Fair Value Assessment
GAP	Guaranteed Asset Protection
GWP	Gross Written Premium
IAIS	International Association of Insurance Supervisors
IBIP	Insurance-based Investment Product
ICP	Insurance Core Principle
IDD	Insurance Distribution Directive
KID	Key Information Document

KNF	Polish Financial Supervision Authority
MAS	Monetary Authority of Singapore
MNB	Hungarian National Bank
NAIC	National Association of Insurance Commissioners
NatCat	Natural catastrophe
NICD	National Insurance Claims Database
OECD	Organisation for Economic Co-operation and Development
POG	Product Oversight and Governance
PROD	Product Governance (FCA)
PTD	Product Transparency and Disclosure Policy Document
SRI	Summary Risk Indicator
UK	United Kingdom
US	United States
VfM	Value for Money

Executive summary

Insurance plays a vital role in protecting individuals and businesses from financial risks, fostering societal resilience and contributing to economic stability. However, insurance products do not always deliver a compelling value proposition to their customers, which can lead to poor customer outcomes and in some cases a broader erosion of consumer trust.

This International Association of Insurance Supervisors (IAIS) Issues Paper provides a descriptive overview of the barriers consumers face in evaluating value and the factors that influence the value of insurance products, including the opportunities to enhance value. Viewed in its entirety, the paper suggests that depending entirely on a "buyer beware" approach, which places the full responsibility on consumers to avoid low-value insurance products, may not be fair or effective. Insurance Core Principle (ICP) 19.0.2 reinforces this perspective by highlighting that fair treatment of customers extends beyond only information provision to include, amongst other outcomes, minimising the risk of sales that do not align with customers' interests and needs.

Through a variety of approaches, supervisors across many jurisdictions act to address low value in the insurance sector and to support consumers' insurance decision-making. A range of examples are cited in the paper. They span from actions to support consumers' ability to make their own insurance purchasing decision upon the basis of a reasonable understanding, through to supervisory intervention that disrupts, or even prohibits, the sale of certain insurance products that the supervisor determines to be of low or no value. In between exists product governance requirements that impose an expectation on the insurer to ensure it is providing suitable products that deliver value to the target market.

The observations in this Issues Paper aim to enhance understanding of both the importance of insurance products delivering meaningful value to customers and ways to achieve this. Doing so will help protect policyholders, promote fair consumer outcomes and strengthen public trust and consumer confidence in the insurance sector which, as outlined in ICP 19.0.1, are key objectives underpinning conduct of business supervisory requirements.

Key observations

Challenges for consumers in evaluating value

- Assessing the value of insurance products can be cognitively complex due to infrequent purchase decisions, emotional considerations and the intangible nature of insurance.
- Consumers often face difficulties understanding product features, exclusions and pricing structures, which can lead to poor decision-making.
- Behavioural biases, such as overconfidence, present bias and framing effects, further complicate consumers' ability to make informed choices.

Factors that diminish value

- Misalignment between consumer needs and product benefits can result in low value, particularly when products are unsuitable or include unexpected exclusions, or when complex decisions are required of the customer in selecting insurance coverage.
- Pricing issues, including a lack of transparency, price discrimination and broken pricing promises, can erode consumer trust and reduce value.

- Bundled or tied sales, high commissions and conflicts of interest in distribution can inflate costs and obscure the true value of products.

Factors that enhance value

- Product design that rewards risk reduction, such as premium discounts for safer behaviours or risk mitigation measures, can improve value.
- Customer-centric claims handling, including streamlined processes and timely payouts, enhances the experience and delivery of value to the customer.
- Flexibility in product features and responsiveness to changing consumer needs ensures that products remain relevant and valuable over time.

Supervisory approaches to value

- Jurisdictions vary in how they address value, with some explicitly defining expectations for “value for money” or “fair value”, while others rely on broader principles like fair treatment.
- Observations from jurisdictions highlight a spectrum of practices, including promoting consumer understanding, addressing conflicts of interest and intervening in cases of low-value products.
- Insurers and intermediaries are responsible for the provision of insurance products that deliver value for the customer. Supervisors can scrutinise whether that expectation is being met by assessing and monitoring the delivery of value using supervisory tools such as claims ratios, governance reviews and indicators of product performance.

1 Introduction

1.1 The positive impact of insurance

1. Insurance protection for individuals and businesses safeguards societal resilience by mitigating risks and ensuring financial stability. For individuals, insurance provides a safety net against possible adverse events such as illnesses, accidents or natural disasters by preventing financial ruin and enabling access to essential services like healthcare (in jurisdictions without a universal healthcare system). For businesses, it enables recovery from losses caused by events like fires, theft or lawsuits, allowing them to continue operations and maintain employment. By spreading financial risks across a pool of policyholders, insurance reduces the burden on any single entity and fosters economic stability. It also encourages investment and innovation, as individuals and businesses are more willing to take calculated risks knowing they are protected against the most common risks beyond their control.
2. Beyond financial security, insurance contributes to social welfare and resilience in society. By pooling resources and distributing risks, insurance not only protects individuals and businesses but also strengthens the broader social and economic fabric. It reduces reliance on public funds by providing support to those in need, such as families who lose a breadwinner or individuals facing medical emergencies. Moreover, insurance encourages risk management by incentivising safer practices, such as fire safety measures or responsible driving, which benefit society as a whole. During large-scale crises, such as natural disasters or pandemics, insurance plays a crucial role in providing financial relief, enabling communities to recover more quickly.
3. Despite its importance, access to insurance is inconsistent globally. Statistics demonstrate overall low insurance ownership rates across low- and middle- income economies. In advanced economies, insurance ownership rates trend higher overall, but this varies significantly across insurance products and is driven in some cases by certain insurance being mandatory (eg car insurance being required by law to drive, or home insurance being required by lenders to secure a mortgage to buy a home). Although harder to measure conclusively, it is believed that consumer engagement – level of motivation, interest and understanding – with insurance products and with insurance purchasing decisions is overall low.

Illustrative statistics: Insurance ownership

- According to the 2025 Global Findex Database, only 23% of adults from low- and middle-income economies had made any payment for insurance products to an insurance agent or company.[1]
- In the European Union (EU) in 2024, 62% of consumers had household insurance and 57% of consumers had car or motor insurance (other than third-party liability insurance), while 17% of EU consumers own a savings or investment product from an insurer.
- A 2024 survey of over 28,000 representative households across seven advanced economies (France, Germany, Italy, Japan, Spain, the United Kingdom (UK) and the United States (US)) revealed that about 85% of respondents own at least one voluntary insurance product.[2] Residential

[1] World Bank Group, Global Findex Database, 2025.
[2] Geneva Association, Inclusive Insurance in Advanced Economies: Alleviating strains on society, 2024.

property and motor insurance are the most popular; ownership levels are lowest for critical illness and income protection insurance.

1.2 Low value and trust can deter customers from buying insurance

4. Although there are many factors that contribute to limited uptake of insurance, low consumer trust in the insurance sector plays an important role. One contributor to low trust is insurance products offering low or limited value for money, whether objectively so or as perceived by the customer. Customers' understanding of insurance products (as a specific dimension of financial literacy) also contributes to how much they trust insurance.
5. The 2024 Organisation for Economic Co-operation and Development (OECD) Consumer Risk Monitor – the first global outlook of consumer risks in financial products and services – found poor-value products and services to be the most significant conduct risk as reported by the 43 participating jurisdictions.[3] The report explained that "the cumulative loss of wealth caused by poor-value products and services can have a significant material impact on household budgets and contribute to a loss of trust in financial institutions and the financial system".[4]
6. The 2024 OECD Consumer Risk Monitor also detailed that the top subjects of consumer complaints in the insurance sector are claims handling, contractual clauses including exclusions, fees/charges or poor value for money, increases in premiums and quality of customer service. Shortcomings in any of these aspects detrimentally impact the customer's experience of the value they receive from the insurance product, and these perspectives often spread by word of mouth and can then establish as commonly held consumer impressions of insurance.
7. Additionally, a report by the National Association of Insurance Commissioners (NAIC) on closed confirmed consumer complaints by reason showed that the leading causes of complaints in the US in 2025 were claims handling (including delays, unsatisfactory settlement/offer, denial of claim and adjuster handling) and policyholder service.[5]
8. The aforementioned 2024 OECD survey of over 28,000 representative households across seven advanced economies revealed the leading reasons as to why people do not have insurance or why they choose not to purchase more.[6] The four most prevalently cited reasons were: affordability (41% of all survey respondents); doubts about the cost-benefit characteristics (ie value) of insurance products (24%); lack of time or unwillingness to research insurance options (20%); and a lack of trust in insurance companies (nearly 20%).
9. In 2024 in the EU, about 40% of EU consumers reported that they "do not trust at all" and 30% reported that they "tend not to trust" that those involved in designing and distributing insurance and pension plans aim to ensure their products deliver good consumer outcomes. Recent efforts across EU supervisors to address value for money risks have, however, contributed towards improving the level of trust across the EU.[7]
10. Further, although the European Insurance and Occupational Pensions Authority (EIOPA) estimates that insurance-based investment products at risk of offering limited to no value account for 10% to 15% of the EU market, about 25% of EU consumers report totally disagreeing that investment/savings products from an insurer offer value for money, and, thus, might not buy

[3] OECD, Consumer Finance Risk Monitor, 2024.
[4] OECD, Consumer Finance Risk Monitor, 2024, p 37.
[5] NAIC, Closed confirmed consumer complaints by reason, 2025.
[6] Geneva Association, Inclusive Insurance in Advanced Economies: Alleviating strains on society, 2024.
[7] See EIOPA's Eurobarometer 2023 and Eurobarometer 2024.

or renew them. In 2022, for example, 17% of retail clients reported not buying or renewing their insurance policy because, in their view, the cost was too high compared with the expected return and level of risk.

11. A similar sentiment is observed in Malaysia, where rising medical costs and premium adjustments have led to increased policy lapses and consumer disengagement. These developments have raised concerns about affordability and fairness, particularly in the health insurance segment. In response, Bank Negara Malaysia (BNM) introduced interim measures to stagger premium increases and limit annual adjustments for most policyholders, aiming to rebuild trust and ensure products deliver fair value. To mitigate the risk of further financial strain or distress, especially for vulnerable consumers, insurers and takaful[8] operators are also expected to consider any extenuating circumstances faced by these policyholders and offer tailored assistance when needed.
12. Hence, insurance uptake may increase if consumers' have trust and confidence that the available insurance products will deliver them positive outcomes and be valuable to them.

2 Challenges for consumers to evaluate value when buying insurance

13. It is human nature for potential insurance consumers to attempt to weigh the costs against the benefits when deciding whether to purchase an insurance product and, in this case, which specific product and from which insurer. This exercise can be referred to as "assessing value for money" or "conducting a cost-benefit analysis". Following this, consumers often attempt to compare various insurance products available in the market to determine which product offered, and by which provider, best provides value for their needs.
14. However, this assessment is cognitively complex. Consumers often struggle to make insurance purchasing decisions based purely on a logical evaluation of value due to a combination of psychological, informational and market-based challenges.
15. Decisions about insurance products are particularly complex because they:
    - Are often made **infrequently** – providing few opportunities for feedback and learning.
    - May have an **emotional dimension** – for example, when they are connected to a large emotive purchase such as a house, or the impact they have on lives and wellbeing is very large. Consumers may avoid thinking about insurance altogether or discussing it because contemplating risks such as illness, death or disaster is confronting.
    - Are **intangible** – with no physical cues by which quality can be judged.
    - May require **trade-offs over time** – for example, between present and future benefits, where the future benefits or harms may be only realisable long after the decision to purchase was made. Consumers also need to weigh the trade-off of retaining some

[8] Takaful refers to an arrangement based on mutual assistance under which a takaful participant (ie policyholder) agrees to contribute to a common fund providing for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of an agreed event. A takaful operator is a licensed entity authorised to carry out takaful business, being the administration, management and operation of takaful arrangements in accordance with Shariah principles.

of the risk through the deductible with the impact on the upfront premium price of the insurance product.

- Involve **uncertainty and risk** – for example about unknowable future incidents and difficult-to-predict future behaviour, on which the features and prices of insurance products are contingent. This can lead to under- or over-insurance; consumers may tend to underestimate the occurrence or cost of low probability/high impact events (such as disability or death) and overestimate those of high probability/low impact events (such as phone damage).
- Require **knowledge and financial literacy** – for example, consumers may be asked to provide information not generally within their knowledge (eg what it would cost to completely rebuild their home), and to understand and make selections with respect to insurance concepts they are unfamiliar with (eg excess, co-payment, waiting periods or optional coverage). These knowledge and literacy challenges are further compounded by the fact that consumers can encounter information overload with long, detailed information documents that use jargon or technical terms.
- May have **framing effects** – how options are presented (eg "Protect your family!") can heavily influence decisions.

16. The evaluation is even more complex for insurance-based investment products, which combine risk coverage with investment features. These products often consist of multiple components, requiring an assessment that goes beyond premium and coverage to also consider factors like investment performance, guarantees, charges, policy sustainability, protection benefits, quality of disclosure and other related aspects.
17. Consumers are often influenced by behavioural biases when making financial decisions. Examples include overconfidence (ie overestimating their own knowledge or abilities), loss aversion (ie fearing losses more than valuing equivalent gains), present bias (ie focusing on immediate rewards over future benefits), status quo bias (ie preferring to stick with existing choices), anchoring (ie relying too heavily on initial information) and framing effects (ie being swayed by how information is presented). These tendencies can result in decisions that may not serve their long-term interests.
18. Unsurprisingly, most people end up judging risk intuitively and inaccurately. People have difficulty understanding probabilistic processes, and either overestimate or underestimate.[9]
19. People tend to apply heuristics (also known as mental shortcuts) to assist them to decide quickly without the cognitive load otherwise demanded by the complex decision. For instance, consumers may make a choice based on one factor alone (eg cheapest premium), by memorability (eg entertaining TV commercial) or by association (eg selecting the same car insurer the customer's parents are with).
20. The financial literacy of consumers also impacts their ability to effectively evaluate value when purchasing insurance. In research conducted by the Financial Conduct Authority UK (FCA) in 2024, general insurance policyholders who reported low knowledge about financial matters or did not understand their policy well were the least likely to have shopped around when they took out their most recent policy in the last three years.[10] By not shopping around, these consumers

[9] Slovic, P "Perception of risk", *Science*, vol 236 no 4799, April 1987, pp 280–285, p 281.
[10] FCA, Financial Lives 2024 survey – General insurance & protection: Selected findings, slide 85.

may not have all of the information available to them to compare products and make an informed decision about their insurance purchasing.

21. Providing consumers with more information about an insurance product they are considering purchasing may help them avoid the purchase of low-value insurance products. Research undertaken by the Behavioural Economics Team of the Australian Government (BETA) showed that consumers who were provided with an information statement about the insurance product they were offered, including a confirmation the insurance was not compulsory and they were not legally obliged to purchase it, were less likely to purchase add-on insurance than those who did not receive any information.[11]
22. Careful consideration needs to be given to what and how information is presented to consumers to ensure it is easily understood and useful for them in their decision-making process.[12] In the same BETA research in Australia, consumers were also presented with the insurance product claims ratio. The research found no evidence to suggest that the claims ratio helped people recognise or reject low-value add-on insurance. The claims ratio was not well understood and the research found that it may inadvertently influence people towards purchasing low-value insurance.[13]
23. The purchase environment and context can also impact the consumer's ability to rationally evaluate value when making a purchasing decision.
24. Consumer research undertaken by the Australian Securities and Investments Commission (ASIC) in February 2016 found that consumers who purchased add-on insurance at the time of a motor vehicle purchase faced challenges in considering the value of their potential insurance product because of the environment they were in. Consequently, they ended up with expensive but low-value coverage.[14] Amongst the challenges these consumers faced were:
    - Consumers had no awareness of add-on insurance products before beginning the purchase process for a motor vehicle.
    - Many consumers were actively told to buy, and sometimes pressured to buy, add-on insurance products both through explicit sales techniques and with how the sales process is structured. Commissions were likely to be driving sales behaviours.
    - Consumers were susceptible to decision fatigue and information overload, having already gone through the purchasing process of a motor vehicle before considering the insurance product.
    - Many consumers had poor recollection of the detail of the insurance product they had purchased. Those who did recall the purchase regretted their decision to purchase add-on insurance.

[11] BETA, Slowing down to add it up – using behavioural insights to support decisions about add-on insurance, 2021.
[12] Dutch Authority for the Financial Markets (AFM), Discussion paper on the role of disclosures, 2021.
[13] BETA, Slowing down to add it up – using behavioural insights to support decisions about add-on insurance, 2021.
[14] ASIC, Report 470, Buying add-on insurance in car yards: Why it can be hard to say no, 2016.
In one case study, '"Susie"' borrowed AUD $28,000 at 9% over five years to buy a car, repaying AUD $35,474. She was sold add on insurance products costing AUD $8,000:
AUD $1,500 for consumer credit insurance; ,
AUD $1,500 for gap insurance; ,
and AUD $4,000 for a warranty.
If Susie did not buy these insurance products, she would have only had to borrow AUD $20,000 and repay AUD $25,510, saving her nearly AUD $10,000.

25. Further complexity arises for consumers because there is not a consistent way to secure oneself the best value when it comes to insurance. In some cases, holding multiple insurance products from the one insurer earns the customer a discount. But, on the other hand, there have been proven instances of "loyal customers" who have been with the same insurer over multiple years being charged a higher premium than newer customers of the same product, for non-risk-based reasons.[15] Further, where it may be generally advantageous to shop around and price compare each year with a yearly renewable general insurance product (like motor insurance), the opposite can be true of certain life insurance products, where cheaper premiums can be secured when the product is bought by a customer of a younger age and then held consistently over many years.

26. It can also be difficult for a customer to have a transparent and clear understanding of the cost they are paying for their insurance and the component parts of that cost. As one example, consumers often do not understand that electing to pay their premiums monthly instead of annually leads to higher total cost in some jurisdictions. Customers can also find it difficult to determine whether advertised discounts have really been applied to their insurance cost and may even be provided misleading information on a renewal notice about how the offered premium for the next year compares with their last period premium.

27. A consumer's ability to assess value can also be hindered by unclear or inaccessible product information. Understanding the value of insurance products relies on a clear understanding of coverage and exclusions, yet exclusions are often communicated in ways that are difficult for the average consumer to comprehend. This lack of clarity, combined with low pay-outs or claim denials stemming from exclusion clauses, can greatly erode consumer trust in insurance products.

3 A spectrum of supervisory approaches to address value

28. Across the world there are differing approaches as to whether the value offered by an insurance product is explicitly addressed within the regulatory framework and/or directly overseen by an insurance supervisor.

29. What is common is the overarching expectation for fair treatment of customers. ICP 19 (Conduct of Business) stipulates that "The supervisor requires that insurers and intermediaries, in their conduct of insurance business, treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied."[16]

30. Additionally, within the G20/OECD High-Level Principles on Financial Consumer Protection 2022[17] is Principle 8: Quality Financial Products. It addresses what constitutes quality financial products and what is required to promote quality financial products that offer value to consumers. The OECD explained in the 2024 Consumer Risk Monitor:

> *Whether a product or service delivers value for money or can be qualified as "quality" depends on a range of factors, which can include overall costs, pricing structures, added value for consumers, complexity, the proportion of costs that go to commissions or distribution fees and comparison of costs with those of competitors. In the context of*

[15] Also known as "price walking".

[16] IAIS, Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups, 2024, p 302.

[17] The Principles set out the elements of an effective and comprehensive financial consumer protection framework.

insurance products, claims ratios (i.e. the percentage of total collected premiums which is paid back to consumers through claims) can help to assess value for money. For investment products, expected rates of return (in comparison to the costs charged and investment strategy pursued) and profitability for issuers may be considered.[18]

3.1 Explicit supervisory expectations that insurance products provide value

31. Some jurisdictions have adopted explicit supervisory expectations on the topic of value. In some cases, the term "value for money" is used, and in other cases "fair value" or "good value". There is no universal definition of these concepts. A "value for money" concept may have a predominant focus on the price paid by the customer being appropriate in light of the benefit to the customer and the costs incurred by the issuer and distributors in providing the product. A "fair value", "good value" or "value" concept may have a broader scope and also consider the quality of the product and of the customer service experienced by the customer, as well as the price paid and the underlying costs incurred in providing the product.
32. Some jurisdictions with supervisory expectations explicitly addressing value are outlined below.

UK

The FCA has rules and guidance on price and value[19] to ensure that the overall price paid by the consumer (including consideration of each of the individual elements that make up that price) is reasonable compared with the overall benefits they can expect to receive.

Whether a product is delivering fair value will depend on a range of factors – for example, the nature of the product, the consumers in the target market, the type and quality of service provided (including by parties in the distribution chain), the overall costs of manufacture and distribution, and the quality of any benefit.

An insurance firm must use all relevant data and information available when assessing whether a product provides value. This includes its own information, research, claims and complaints data, public information and data on insurance products, and information on distribution costs and their impacts on value. The firm must consider at least:

- The nature of the product or service, including the benefits that will be provided or may reasonably be expected and their qualities;
- Any limitations that are part of the product or service (eg limitations on scope of cover for insurance products); and
- The expected total price customers will pay, including all applicable fees and charges over the lifetime of the relationship between customers and firms.

EU

For insurance-based investment products (IBIPS), EIOPA has defined that products offer value when no undue cost is charged to consumers. In practice, this means when costs and charges are proportionate to the benefits for the identified target market (ie the investment performance, guarantees, coverage and services) as well as reasonable, taking into account the expenses born by the providers. EIOPA further indicated that for there to be value for money:

[18] OECD, Consumer Finance Risk Monitor, 2024, p 37.
[19] FCA, FCA Handbook, PROD 4 Product governance: IDD and pathway investments.

- Costs and charges need to be properly identified, quantified and not undue (pricing process);
- The value of the product has been tested and demonstrated, taking into account the needs, objectives and characteristics of the product's target market (product testing); and
- The balance between costs and value is regularly reviewed throughout a product's life to assess whether the product remains aligned with the needs, objectives and characteristics of the target market (product review).

For other insurance products (not IBIPs), EIOPA has not expressed an official definition of value but has expressed that a similar concept applies. For example:

- In 2022, EIOPA called for better value for money in credit protection insurance products by issuing a warning to banks and insurers.[20] The warning detailed the high commissions and conflicts of interest leading to products offering unfair value and limited choice for consumers, and stated that:

> *Manufacturers should…assess whether the product offers value to the target market, including by balancing the benefits for the manufacturer and the distributor with the ones to the target market. This should also include an assessment as to whether all costs are proportional to the expenses borne by the manufacturer and the distributor and the benefits, with particular attention to the comprehensiveness of the coverage offered, and the services offered to the target market – i.e. no cost should be undue.*

In its retail risk indicators methodology, EIOPA has a dedicated set of indicators indicating how to assess value for money for non-IBIPs.[21]

Belgium

The Financial Services and Markets Authority (FSMA) published a practical guide to inform the insurance sector of its recommendations and expectations regarding the implementation of requirements related to the "value for money" theme and exclusions.

The guide is primarily addressed to insurance product manufacturers but is also relevant for intermediaries acting as co-manufacturers. It sets out around 18 recommendations, grouped under seven key themes. These themes include, amongst others, the following supervisory expectations:

- Customer interests at the core of product approval: Product manufacturers should place the customer's interest at the centre of the product approval process by developing clear and consistently applied criteria. Manufacturers must also prevent or manage potential conflicts of interest. According to the FSMA, this includes assessing whether the remuneration structure of a given insurance product could undermine the customer's interests.
- Testing and assessment of value for money: Product manufacturers are expected to establish testing and evaluation procedures that explicitly assess whether the product offers fair value for money.

[20] EIOPA, EIOPA calls for better value for money in bancassurance in warning to banks and insurers, 2022.
[21] EIOPA, Retail risk indicators: methodology update, 2021.

- Proportionate and meaningful exclusions: When defining the scope of an insurance product, exclusions should not be so extensive that the product ceases to be useful or relevant for the identified target market.

Germany

The insurance undertakings must provide products that meet the needs of the consumers of the target market meaning the products must have an appropriate value for money (VfM). In the case of IBIPS, that means that the providers must ensure that their consumers receive appropriate value for the capital they invest, especially in the case of private pension products. In general, the providers must fine-tune their insurance products in line with the profile of the defined target market, and to determine for whom the product is suitable or intended and for whom it is not. Differentiation is made with regard to IBIPS (eg according to financial knowledge/experience, risk-bearing capacity, investment objectives and needs, liquidity need and time horizon).

The Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) (BaFin) published a guidance notice on "Aspects of Conduct of Business Supervision for Savings Products" (especially IBIPS) in May 2023.[22] It interprets the Insurance Distribution Directive (IDD) and additional legal requirements on Product Oversight and Governance (POG), including the requirement of products to deliver VfM, and describes how BaFin applies the tools developed by EIOPA such as the requirements with regard to product testing, including cost structure, cost appropriateness and consumer benefit. To this end, and to implement a risk-based forward-looking supervisory approach, BaFin uses indicator-based risk analyses to identify providers of risky products at an early stage.

Mauritius

In Mauritius, the concept of value in insurance is closely aligned with the principles set out in the Code on the Fair Treatment of Consumers of Financial Products and Services, issued by the Financial Services Commission (FSC). This includes the requirement that insurers must offer products that meet consumers' needs and offer fair pricing relative to the benefit provided. Value is not only measured solely by affordability, but also by the fairness of terms, transparency of benefits and exclusions, and efficiency in claims handling. Supervisory emphasis is placed on ensuring that products are designed and distributed in ways that reasonably anticipate and respond to the needs of their target markets.

Malaysia

The principle of "good value" is one of five required key principles for eligibility outlined in the Policy Document on Perlindungan Tenang[23] for microinsurance and takaful products designed to meet the needs of unserved and underserved segments. The principle of "good value" is described as requiring that the protection offered corresponds to the key needs of the target group, and that the proportion of premiums or takaful contribution allocated to the insurance or takaful benefit is maximised. Additionally, it states that "good value" may include the provision of value-added service(s) that are relevant and tangible for the target group.

[22] BaFin, Appropriate value for money: BaFin publishes guidance notice on savings products, 2023.

[23] Perlindungan Tenang is an initiative established by BNM that aims to expand the availability and quality of insurance and takaful solutions to meet the needs of the unserved and underserved segments of the population to promote their financial and societal resilience.

In line with the "good value" principle, the iTEKAD Protection programme,[24] which embeds insurance/takaful protection for microentrepreneurs, goods delivery personnel and participants of Inisiatif Pendapatan Rakyat,[25] features value-added services to further support the target segments' resilience and financial wellbeing. In addition, products offered under the programme are expected to comply with Perlindungan Tenang requirements by providing benefits that address the target segment's immediate risks, such as benefits that encourage risk reduction or prevention practices, embedding features that facilitate long-term sustainability of the protection, or structured trainings that deliver tangible improvements to the target segment's resilience (eg business continuity management and mental health support programmes).

At the industry level, this principle is further reinforced by the Value-based Intermediation for Takaful framework, which was developed and driven by the takaful industry association as a commitment to adopt value-driven business practices and deliver positive and sustainable outcomes consistent with Shariah objectives (Maqasid). This includes providing meaningful value to participants and society through inclusive and socially oriented takaful solutions.

The other four principles are: affordable; accessible; easy to understand; and easy to purchase, make nominations and make claims.

3.2 Other requirements that enable supervisory action on low-value products

33. The regulatory frameworks of some jurisdictions do not have an explicit requirement that insurance products offer "fair value" or "value for money", but they have other rules or supervisory expectations (eg fair treatment of customers and product suitability) that enable the supervisor to act in case of concerns about low-value products.

Australia

There is not an explicit regulatory requirement of "value" in the Australian regulatory framework. but rather design and distribution obligations that require financial service providers to design and sell products that are fit for purpose and meet consumer needs.

ASIC labelled consumer credit insurance[26] (CCI) as "junk insurance", following a multi-year body of work that highlighted the very low value of CCI products and the unfair way they were promoted and sold to consumers. Enforcement action was pursued and also remediation of more than AUD 160 million was secured for consumers.[27] ASIC considered that consumers received no, or very little, value from the product for various reasons, including: it was sold to consumers who were ineligible to claim or unlikely to benefit or need cover; consumers were sold the product using pressure selling or other unfair sales tactics; consumers were incorrectly charged or had their claim incorrectly declined; and the claims ratios were as little as 11 cents paid in claims for every dollar paid in premiums.

[24] iTEKAD is a programme established by BNM that aims to assist low-income microentrepreneurs in strengthening their financial management and business acumen towards generating sustainable income. See www.bnm.gov.my/itekad.
[25] Inisiatif Pendapatan Rakyat is a government programme empowering people living in extreme poverty to increase their earning potentials.
[26] ASIC, Report 622 Consumer credit insurance: Poor value products and harmful sales practices, 2019.
[27] ASIC, ASIC secures over $160 million in remediation for junk consumer credit insurance, 2020.

New Zealand

Consumer value in insurance is determined by several key measures, including fair treatment, product suitability and the overall consumer experience. Insurers are expected to provide accurate information, explain policy details clearly, settle claims fairly and promptly, and protect consumer privacy. They must also have a robust complaints process and act on feedback. Furthermore, the "good faith" principle underscores the importance of treating consumers with respect and acting in their best interests. The Financial Market Authority's (FMA) focus on fair value and consumer outcomes is part of its broader mandate to promote fair, efficient, and transparent financial markets. It also aligns with the Financial Markets (Conduct of Institutions) Amendment Act 2022, which strengthens consumer protection by requiring financial institutions to prioritise the fair treatment of consumers.

3.3 Modifying the insurance purchase decision-making environment

34. In some jurisdictions, the regulatory framework makes stipulations that modify the decision-making environment to facilitate consumers' ability to make an insurance purchasing decision more likely to bring them value. These span the provision of mandated information, the prohibition of commissions that risk incentivising the sale of low value products, protection for the customer to make their decision free from pressure selling tactics and with the opportunity to shop around, and access to advice in the best interests of the customer.

Hong Kong

In Hong Kong, insurers are required to publish the fulfilment ratio of non-guaranteed benefits for their participating policies.[28] Participating policies are a type of life insurance that not only provide guaranteed benefits, such as the sum assured, but also offer non-guaranteed benefits in the form of dividends or bonuses. These non-guaranteed benefits allow policyholders to share in the profits of the insurer's participating fund, which is typically influenced by factors such as investment performance, claims experience and operating expenses. At the point of sale of a participating policy, a potential policyholder is provided with a document of benefit illustrations, which projects future value of both guaranteed and non-guaranteed benefits. Although the guaranteed portion is fixed, the non-guaranteed benefits are subject to change based on the insurer's actual investment performance and operating results.

The fulfilment ratio measures the insurer's historical performance in meeting those projected non-guaranteed benefits. It is a key tool for assessing whether a policy can realistically meet one's savings goals and the value of the policy to the customer. In simple terms, the fulfilment ratio can be understood as the aggregate actual accumulated non-guaranteed benefits against the illustrated aggregate amounts for all relevant policies at the point of sale. A ratio close to 100% means that the insurer has come close to achieving its projected non-guaranteed benefits. If the ratio is higher than 100%, it means that the actual payout was higher than the illustrated amount at the point of sale and vice versa.

The fulfilment ratio is therefore a useful indicator of value for money for policyholders. Since non-guaranteed benefits can make up a significant portion of a participating policy's returns, a higher fulfilment ratio suggests the insurer has historically delivered on its projections. This helps

[28] Insurance Authority, Fulfilment Ratio.

policyholders assess whether the policy is likely to meet their financial goals and whether the premiums paid are generating fair value.

Chinese Taipei

The Financial Supervisory Commission regulations require that insurers include a specific ratio when disclosing cost analyses for traditional life insurance products. The required ratio compares the "accumulated principal and interest of surrender values, potential dividends, and living benefits" against the "accumulated principal and interest of total premiums paid." The calculation must be based on at least three representative issue ages from major age groups. Requiring this ratio intends to ensure that consumers can evaluate the cost-benefit profile of such products and make informed decisions based on their specific needs.

Netherlands

The Dutch Authority for the Financial Markets (AFM) has written a discussion paper on the role of mandatory pre-contractual disclosures required by law in consumer protection. These documents are often so technical and detailed that they are difficult to understand for consumers.

In this paper, the AFM suggests that other instruments can also be used to protect consumers (such as optimising the choice environment). The use of such other instruments will require the application of insights into the behaviour of consumers and markets. The AFM identifies four steps policymakers could take to arrive at a well-thought-out mix of instruments:

- Formulate a clear and measurable objective;
- Understand consumer behaviour;
- Guide consumer behaviour and market behaviour; and
- Measure whether objectives have been met.

To ensure optimal consumer protection, the AFM advises policymakers to carefully consider which policy instruments are best suited to achieving a specific objective. This will require the application of insights into how consumers and markets behave.

If, after careful consideration, information documents are to be used, the AFM also identifies minimum requirements and guidelines to make information documents more effective.[29]

Australia

In 2018 in Australia, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry considered problems in the add-on insurance market. It found poor-value products, risks of unfair sales practices and outcomes, and worse claims outcomes than in other insurance markets.

The government responded to the royal commission's findings and recommendations by introducing a deferred sales model for add-on insurance. The deferred sales model is set out in Pt 2, Div 2, Subdiv DA (s12DO– 12DZA) of the Australian Securities and Investments Commission Act 2001.

The deferred sales model requires a clear four-day pause between when a consumer enters a commitment to acquire a principal product or service, and when they are offered or sold an add-on insurance product ("deferral period").

[29] AFM, Discussion paper on the role of disclosures, 2021.

This reform was aimed at improving consumer outcomes in the add-on insurance market. The pause in the sales process will give people time to consider the insurance they have been offered and compare it with alternatives. It will reduce the risk of people buying insurance on the spot that is poor value or just not right for them.[30]

New Zealand

In New Zealand, a well-developed and mature licensed advice network provides access to advice for consumers. This is supported by government agencies providing information to consumers to consider when purchasing insurance. The FMA encourages insurance advisers to work with consumers to help with life insurance and other personal insurances such as income protection insurance as well as insurance against the risks of death, injury or serious illness. A licensed insurance adviser works with a consumer to:

- Understand their needs;
- Work out what they can afford to pay in premiums;
- Find options to suit their situation;
- Explain the policies and important information such as premiums, policy definitions and exclusions;
- Arrange what they need and manage the process; and
- Review their insurances regularly.

Underpinning insurance purchasing decisions is the Code of Professional Conduct for Financial Advice Services. The Code of Professional Conduct for Financial Advice Services is prepared in accordance with Part 4 of Schedule 5 of the Financial Markets Conduct Act 2013. The code supports the purposes of the Act, including promoting the confident and informed participation of businesses, investors and consumers in the financial markets, avoiding unnecessary compliance costs and ensuring the availability and quality of financial advice.[31]

3.4 Consumer education and information

35. In some jurisdictions, the supervisor develops and issues consumer-facing materials and messages to promote understanding of insurance and to assist consumers make their insurance purchasing decisions. The supervisor's actions aim to empower the consumer to make a better-informed insurance selection that will provide value to them, considering their needs.

Slovenia

In Slovenia, as part of its "Value to Insurance Customers" theme, the Insurance Supervision Authority (AZN) has published on its website[32] several brochures and guidelines for consumers, covering various topics such as non-life insurance, car insurance, natural catastrophe (NatCat)

[30] ASIC, The deferred sales model for add-on insurance and ASIC releases guidance and customer information requirements to implement the new add-on insurance deferred sales model, 2021.
[31] FMA, Code of Professional Conduct for Financial Advice Services, 2019.

[32] See www.a-zn.si.

insurance etc. The aim is to support consumers in making well-informed decisions and understanding their rights and obligations under current insurance regulations.

Belgium

The FSMA launched an online tool in 2024 that provides an overview of the costs of pension products. The tool was developed following a study carried out by the FSMA at the request of the Belgian government in which it looked at the costs charged by financial institutions for their pension products. The study examined both second- and third-pillar pensions. The report presenting the findings of the study is available on the FSMA website.[33]

Institutions offering second- and third-pillar pension products charge costs for their services. These costs affect the ultimate outcome of the savings made. The FSMA asked institutions managing second- or third-pillar pensions to provide data on the subject. The study focused on costs charged for pension contributions and reserves. It highlights a series of clear trends.

To help consumers in their search for a suitable pension product, the FSMA has developed an online cost calculator. By visually illustrating the combined effect of costs levied on pension contributions and reserves, it gives consumers a view of the impact of different types of costs on their supplementary pension.

Australia

In Australia, MoneySmart.gov.au, a government website operated by ASIC, helps consumers make well-informed decisions in insurance (plus other areas such as banking, budgeting, investing and planning) through tools and calculators, including:

- Explanatory content about how a wide range of insurances work, what to consider when choosing which insurance to buy in order to find the best value and a policy that suits your needs, how to claim, and more.
- A life insurance claims comparison tool that enables a potential customer to compare each individually listed insurance company and an industry average, on metrics of the percentage of claims paid out, how long it takes to pay the claim, the number of disputes consumers have lodged about claims with an insurer, and the percentage of policies that were cancelled by the insurer or the insured person.
- A life insurance needs calculator that helps work out if you need cover, how much life cover you might need and what expenses your life cover will pay for when you die.

Singapore

MoneySense was launched in 2003 as Singapore’s national financial education programme. It aims to help Singaporeans manage their money well and make sound financial decisions on their own. MoneySense programmes, which cover a wide range of money management and personal finance topics including insurance, are overseen by the MoneySense Council, which is co-chaired by the Monetary Authority of Singapore (MAS) and Singapore’s Ministry of Manpower. MoneySense’s outreach arm, the Institute for Financial Literacy, also conducts free and unbiased financial education and training programmes for the public.

[33] Access the 2024 report (in French or Dutch) from FSMA, FSMA launches cost calculator for pension products, 2024. See also the 2025 updated report available (in French or Dutch) from FSMA, The FSMA publishes update on costs in the second and third pillar pensions, 2025.

In collaboration with industry partners, MAS and MoneySense issued a simple guide in October 2023, the Basic Financial Planning Guide, to help retail investors start their financial planning journey. The guide contains simple rules of thumb to support investors in taking steps to address their savings, insurance and investment needs at different life stages. Examples include setting aside three to six months' worth of expenses as emergency funds for rainy days and spending no more than 15% of income on insurance products. Simple and lower cost investment and insurance products are also flagged in the guide

Hong Kong

The Chin Family is an independent and impartial financial education platform providing free information, resources and programmes to help people in Hong Kong plan and manage their finances by making financial learning simple and enjoyable. Educational information on insurance, investment products, personal banking and virtual assets etc is available on The Chin Family in the forms of publications, multimedia, comic series and infographics.

The Chin Family is managed by a public organisation, the Investor and Financial Education Council, which is supported by the Education Bureau and all four financial regulators in Hong Kong (the Hong Kong Monetary Authority, Insurance Authority, Mandatory Provident Fund Schemes Authority and Securities and Futures Commission).

From a consumer-facing perspective, The Chin Family offers a wide range of easy-to-understand resources to help people learn about financial topics, including insurance. These materials explain how insurance works, the different types of products available and what rights consumers have. By presenting information in a clear and relatable way, The Chin Family empowers individuals to make more informed decisions about their insurance needs.

USA

In the US, the NAIC's Consumer Insurance Search is an online tool with information about insurance companies (including the lines of business they offer and a list of jurisdictions in which they operate) that consumers can access before purchasing an insurance product. By providing information about the complaint trend report, the licensing status, the financial overview report of insurance companies etc, this online resource helps consumer make better-informed decisions about insurance products.[34] On its website, the NAIC has also published several consumer guides (eg Buyer's Guide to Deferred Annuities, Life Insurance Buyer's Guide and Shopper's Guide to Long-Term Care Insurance) as way to foster consumers' confidence in the purchase of insurance products.[35]

Germany

BaFin has published consumer information material on its website. The following examples are particularly noteworthy:

- BaFin explains in a short cartoon video ("Why is it worth checking your insurance? BaFin - Videos - Warum lohnt sich ein Versicherungscheck?) that when changes occur in one's life, it is necessary to check whether insurance coverage still suits the changed circumstances and which factors can influence the amount of the insurance premium.

[34] NAIC, Consumer Insurance Search Results.
[35] NAIC, Resources for Insurance Industry Insights.

- Having in mind people who are not proficient in German, BaFin explains important insurance vocabulary in easy language in alphabetical order (BaFin - Publikationen & Daten - Das kleine ABC in Leichter Sprache), eg "Abschlusskosten" refers to the costs that may be incurred when concluding an insurance contract.
- Events on the topic of insurance, especially for older people, are held regularly. The proportion of the population in Germany aged 65 or older is around 23% as of 2024. This proportion is expected to continue to increase in the coming years due to demographic change caused by rising life expectancy and low birth rates. Together with the "Digital Kompass" initiative, BaFin employees hold regular digital roundtable discussions. At the December 2025 meeting (Versicherungscheck im Alter | Digital-Kompass), participants were told why it is worthwhile to take a critical look at their own insurance policies on a regular basis.

4 Aspects that can diminish the value offered by insurance

36. Characteristics or incidents that diminish the value of insurance for consumers can materialise at different points over the lifecycle of a product. They can arise, for example, due to design failures, poor governance, unfair pricing, unsuitable promotion and distribution, and poor claims and complaints handling.

4.1 Needs-benefits misalignment

37. Before a product is distributed, it is important to design the product coverage to offer value to the targeted group of consumers and then ensure that sales are made only to the target market.
38. A product that does not offer, from the outset, reasonable value to the customer it is being offered to would typically fall short of regulatory and customer expectations and therefore should not be sold to that customer.[36] Examples of insurance products offered to consumers for which they were unsuitable from the outset as stated by ASIC included the sale of ongoing consumer credit insurance to a 65-year-old when eligibility falls away at 66, or the sale of insurance to cover involuntary unemployment to a person already unemployed at the time of purchase and hence ineligible for that benefit.[37]
39. Exclusion clauses are also a key contributor to needs-benefits misalignment. Unexpected and/or difficult to understand exclusion clauses in product design reduce the likelihood that the customer gets what they had expected from the insurance product, and hence can diminish the value of the coverage to the customer.
40. A prime example is whether home insurance covers damage by NatCat and whether consumers can understand upfront the coverage exclusions and limitations, and their implications. For instance, with flooding, various different complex coverage terms exist across the market – for example, according to where the flood originates from (storm, sea, man-made dam etc), what

[36] For example, in the UK the PROD 4 rules include: Where the firm is unable to identify and clearly demonstrate that a product provides fair value, the firm must not market the product or permit the product to be distributed, or must have made sure appropriate changes have been made so that fair value will be provided (PROD 4.2.14C R (2)).
[37] These are examples cited by ASIC of unfair sales of consumer credit insurance where the consumer received no or very little value from the product: 20-115MR ASIC secures over $160 million in remediation for junk consumer credit insurance | ASIC.

has directly caused the damage, waiting periods, covered property types and certain excluded items.

4.2 Pricing issues

41. Although cost and value are not always directly correlated – for instance, low-cost insurance does not necessarily equate to low or high value, and high-cost insurance does not inherently signify high or low value – pricing plays a significant role in evaluating value.
42. Firstly, pricing that is not risk-based or does not adhere to the principle of mutualisation may result in products offering low value, as the cost is not aligned with the benefits provided. Secondly, errors or misconduct that inflate the price charged to customers relative to what the customer was promised or what is offered to equivalent other customers reduces the received value. Lastly, a lack of transparency or misleading representations regarding the price paid by customers hinders their ability to understand the cost of the insurance and to assess its value effectively.
43. Margin personalisation – where premiums are tailored not only on risk but also on an individual's price elasticity or behaviour – may lead to some consumers paying disproportionately higher premiums compared to others with similar risk profiles. Pricing the risk to the consumer relative to the overall costs and benefits of a product or service is core to determining what constitutes "fair value" or "low value". Otherwise, the pricing model may unfairly discriminate against or penalise one class of consumer over others.
44. Where pricing opacity grows, so does the difficulty for consumers to assess whether the product offers fair value. What is worse is that consumers may be provided false or misleading information about the price they are paying.
45. Further, if pricing promises like discounts (multi-policy discounts, no claims discounts, loyalty discounts) or other benefits (gift card, loyalty scheme points, cashback offers) are not delivered in full, consumers will be overcharged for their policies or not receive all of the promised benefits. Consumers who believe they are receiving something of value from their existing policies can also be discouraged from shopping around, even if a pricing promise is not delivered in full and the consumer is unaware of this. An insurer may also gain an unfair advantage over another by promising a discount to retain customers, then failing to deliver it in full.

Ireland

The Central Bank of Ireland (CBI) found that long-term customers (those who stayed with the same insurer for nine years or more) pay on average 14% more on private car insurance and 32% more on home insurance than the equivalent customer renewing for the first time.[38] CBI responded to this practice by introducing rules from 1 July 2022 that ban "price walking" in home and motor insurance. At the point of renewal, insurance providers cannot charge personal consumers who are on their second or subsequent renewal a premium higher than they would have charged them if they were a year one renewal customer at that point in time. See Home and Motor Insurance Rules | Central Bank of Ireland.

Netherlands

In 2024, AFM investigated margin personalisation, which is sometimes also called a "loyalty

[38] CBI, Central Bank proposes to end the loyalty penalty for private car and home insurance customers, 2021.

penalty". The investigation revealed that in 2023, almost half of the non-life insurers had a higher profit margin on loyal consumers than on newer consumers in at least non-life product.

AFM has concluded discussions with those insurers regarding compliance with product governance requirements. Insurers have indicated that higher profit margins for loyal customers are undesirable and have adjusted premiums and/or policies where necessary. AFM will continue to pay attention to this topic in the coming period and may conduct a second measurement.[39]

Australia

Broken pricing promises

ASIC published Report 765 – When the price is not right: making good on insurance pricing promises in 2023. It details an extensive, multi-year campaign of work by ASIC calling on all general insurers to review their pricing practices, systems and controls to ensure consumers received the full discounts they were promised. Identified issues included:

- Some customers did not receive promised discounts in full, including loyalty discounts;
- Disclosure documents and promotional materials contained inaccurate descriptions of discounts; and
- Some customers were denied price discounts they were eligible for due to incorrectly applied eligibility criteria.

The findings led 11 general insurers to repay over AUD 815 million to more than 5.6 million customers for broken pricing promises, and ASIC pursued court action against several insurers.

Misleading price representations

In 2025, ASIC initiated court proceedings against an insurer alleging that over a five-year period, the insurer sent over 500,000 renewal documents to customers with misleading or false representations of the "last period premium" on various types of cover including home and contents, car, caravan, boat and pet insurance.[40] In many cases, the "last period premium" represented was higher than what the customers had actually paid after negotiating discounts or making a change to their policy that affected the premium, leading to a distorted view of how much their premium was actually increasing in this new renewal period.

For example, a customer received a renewal notice showing their "last period premium" was $ AUD 6,930.55 and their new premium was AUD 7,033.57, which is a 1.5% increase. However, the customer had actually paid a much lower AUD 5,024.18 premium, which meant insurer RACQ was hiking the customer's renewal premium by 40%.

Ensuring better consumer experiences is part of ASIC's 2025 enforcement priorities. In its 2025-2026 Corporate Plan, ASIC announced that it will continue examining the accuracy and transparency of disclosures about premiums.

[39] AFM, Call to insurers: ensure a fair premium for loyal customers, 2025.

[40] See 25-211MR ASIC takes court action alleging RACQ sent half a million misleading insurance renewal comparisons | ASIC

4.3 Bundled or tied sales

46. Sales and distribution practices may also present risks that lead to consumers purchasing products with low value for money. Product cross-selling, for example, may force a consumer to buy credit protection insurance from the provider of the main credit product. This can restrict consumer choice, reduce competition, obscure pricing and lower the overall product value.[41]
47. In some markets, bundling or grouping insurance products with other goods or services (eg mobile phone insurance sold with the mobile device, or travel cover included with a credit card) may risk delivering low value if the consumer cannot easily assess whether the bundled insurance is needed, appropriate or duplicative of existing cover. It also makes it much more difficult for the consumer to determine the cost to them of that insurance coverage.
48. Also, the prices of bundled insurance policies may lead consumers to make purchasing decisions based merely on price rather than on the coverage of their respective policies, thus with the risk of overlooking the fact that buying products separately could offer consumers more options and flexibility.
49. Bundled insurance policies can also be pressure-sold or even sold without the consumer's awareness or without the consumer's understanding that they had an option to decline the purchase.
50. On the other hand, bundling insurance with another product can be a favourable method of increasing insurance access and uptake, so long as the insurance component offers fair value and consumer protection measures are in place. For example, agricultural insurance bundled with drought resilient seed varieties can help reduce NatCat protection gaps by not only lessening physical exposure but also supporting the development of sustainable insurance solutions.[42]

Mauritius

In Mauritius, the FSC, in a Communiqué[43] dated 24 January 2022 and published on its website, emphasised the principle of free choice of insurance policy, reminding market participants that consumers should be able to select their insurance provider independently and without coercion. In particular, the FSC specified that "any person who has to provide an insurance policy to guarantee a debt or other obligation with respect to a (1) loan: (2) leasing agreement; or (3) credit facility has a free choice as to the insurance policy required to guarantee this transaction" and that "any person who is required to provide an insurance policy to guarantee a debt or other obligation must be able to confirm, in writing, that he has been informed of his right to this free choice under Section 81 of the Insurance Act 2005 and that he has exercised this right freely and willingly".

Malaysia

In Malaysia, requirements under the Financial Services Act 2013 and the Islamic Financial Services Act 2013 prohibit insurers from engaging in unfair or misleading conduct, including coercive tying or bundling of products, and must ensure consumers are not misled or compelled to purchase additional products. Under BNM's Perlindungan Tenang framework, insurers are

[41] See, for example, EIOPA's thematic review (October 2022) on Credit Protection Insurance (CPI) sold via banks and EIOPA's warning (August 2022) to insurers and banks to ensure mortgage CPI, consumer credit CPI and credit card CPI products offer fair value to consumers.

[42] For more, see the IAIS-WBG contribution to G20 SFWG on identifying and addressing insurance protection gaps (July 2025).

[43] FSC, Section 81 of the Insurance Act 2005 "Free choice to provide an insurance policy", 2022.

permitted to offer Perlindungan Tenang products as part of a bundled or combined product. However, insurers are required to assess the appropriateness of such combinations in relation to the needs, objectives, and characteristics of the target consumer group. This regulatory expectation ensures that bundling does not compromise the simplicity, affordability, and accessibility that Perlindungan Tenang products are designed to deliver. It also aligns with the principles outlined in the Fair Treatment of Financial Consumers Policy Document, which emphasises product suitability and the importance of ensuring that consumers are not exposed to unnecessary complexity or features that do not serve their financial protection needs.[44]

4.4 Commissions and other distribution conflicts of interest

51. Product distribution chains can threaten value where multiple intermediaries each receive commissions without contributing commensurate value, thereby inflating the overall price and charges paid by the consumer for the benefits received. In complex and long distribution chains, it can also be difficult to discern what services are being paid for and by whom, and whether these costs are justified by actual benefits delivered.
52. Commissions or other fees received by intermediaries can also generate conflicts of interest by incentivising product promotion and sales, even if the product is not in the best interests of the customer. They can lead to a customer buying an insurance product that is not best suited to their needs, or that is not the most price-advantageous option the customer may have chosen if their decision-making environment had been free from the impact of the conflict.
53. Commercial comparison websites can be another example, with the range of insurance options presented and their “ranking” often influenced by behind-the-scenes fee, commission or ownership arrangements that the consumer does not realise.[45] Further, the information that is presented may not be appropriate and adequate to enable the consumer to properly compare between products. On the other hand, when done appropriately, comparison websites can support consumers to make more informed decisions and to shop around on price and suitability of insurance options.

Netherlands

In the Netherlands, consumers faced major value for money issues involving insurance-based investment products sold between the 1990s and early 2000s. These products, often marketed as beneficial savings plans, carried high hidden costs and risks, which were not transparently disclosed to consumers. Many policyholders faced disappointing returns while intermediaries earned substantial commissions. Insurers also benefited from the untransparent cost structure.

This exposed systemic issues, particularly in product governance and the misalignment between consumer interests and advisor incentives. In response, the Dutch government introduced the commission ban in 2013 on complex products such as insurance-based investment products. This regulation prohibited financial advisors from receiving commissions from product providers, requiring them instead to charge clients directly for their services.

[44] BNM, Perlindungan Tenang, July 2021, paragraph 9.3.
[45] For example, prospective customers may be misled, or make their own assumption, that the website is comparing the full market when instead it is only comparing and presenting a much narrower range of policies. See 25-092MR ASIC sues Choosi for allegedly misleading customers through its insurance comparison service | ASIC.

The commission ban significantly improved transparency and trust in financial services. By removing hidden incentives, it ensured that advisors act in the best interest of their clients, helping to prevent future mis-selling and restoring consumer confidence.[46]

The Netherlands has also implemented the so-called active commission transparency, requiring advisors to actively communicate the amount of commission received with each advice for non-life insurance products, independently of whether consumers have asked for it.

UK

The FCA highlights that all the elements that make up the total price should be consistent with providing fair value based on the product or services provided to the consumer. The risk price clearly relates to the most important benefit provided under the product to the consumer, because the core purpose of an insurance product is to transfer risk. Other costs and benefits added to this may affect whether the product provides fair value.

Firms should carefully consider the difference between the risk price and the total price paid by the consumer. The larger the difference between risk price and total price, the more the FCA would expect firms to show why the other costs provide fair value and fairly reflect the quality of the product or services provided.

Singapore

Balanced Scorecard (BSC) Framework and Regulations on financial advisory representatives' variable income

MAS introduced the BSC framework to better align the interests of financial advisory representatives selling insurance products with that of their customers and minimise conflicts with customers' interests that are inherent in volume-based remuneration arrangements. Under the framework, such representatives and their supervisors will need to meet the key performance indicators that are not related to sales, such as providing suitable product recommendations and making proper disclosure of material information to customers. Their variable incomes may be adversely impacted depending on their quality of financial advisory services.

To further align the interests of intermediaries and customers by promoting long-term relationship and servicing, MAS has introduced regulations to spread and cap financial advisory representatives' variable incomes. The remuneration that a financial advisory representative can receive for selling a life insurance policy in the first year is capped at a percentage of the total remuneration payable for that sale. In addition, the total remuneration must be paid over a period of at least six years starting from the date the relevant life policy is issued.

compareFIRST

MAS collaborated with the industry to develop compareFIRST, which is an interactive web portal that allows consumers to quickly compare the premiums and features of life insurance products such as term life, whole life and endowment products from all direct life insurers in Singapore that cater to the retail market. It is a purely informational portal that aims to help consumers make informed decisions and does not promote or distribute life insurance products.

Hong Kong

The Insurance Authority will introduce a commission-spreading requirement for participating policies with regular premium payment terms, effective 1 January 2026. This measure aims to

[46] AFM, Ban on commissions.

better align incentives for insurance intermediaries to provide both pre-contract services and ongoing servicing, and to discourage aggressive sales practices driven by disproportionately high upfront commissions.

Under the commission spreading requirement:

- No more than 70% of the total commission payable is paid upfront (ie the commission to be paid during the first policy year must not exceed 70% of the total commission payable in respect of the policy); and
- The remaining commission payable after the first policy year must be paid at least over a minimum of five years (ie the second to sixth policy year) or the premium payment term (whichever is shorter) and must be spread evenly over this period.

Paying high commissions upfront can lead intermediaries to focus excessively on making sales rather than ensuring that the product suits the customer's long-term needs, which may result in misselling, policy churning and poor after-sales service. By spreading commission payments over a longer period, the new requirement encourages intermediaries to build lasting relationships with policyholders, provide ongoing support and place adequate emphasis on long-term policy performance. This approach also brings Hong Kong more in-line with international regulatory trends aimed at treating clients fairly in the insurance sector.

4.5 Complex decisions expected of the customer

54. There is the potential for diminished value being delivered to customers from their insurance coverage when they are expected to make decisions or elections in respect of their insurance product, without being suitably informed and assisted in doing so.[47]

55. In the case of home insurance, the offer made to a customer of a lump sum cash settlement instead of the insurer arranging the repairs or replacements may present a risk of diminished value from the insurance product, particularly if the customer is not properly informed of the consequences and implications of accepting the offer. The biggest risk is that the cash payment falls short of covering the full eventual cost of the work, particularly if market prices increase, the initial assessment was too low or the repair costs the customer can negotiate are higher than the insurer's typical preferred service providers who are often on bulk agreements. There can also be various other policy benefits that are impacted in the case of a cash settlement, such as temporary accommodation, removal of debris or removal and storage of contents, the impact and trade-off of which may be difficult for the customer to comprehend and evaluate unassisted. If a customer is not aided to properly understand and consider the pros and cons of accepting a cash settlement, the customer can experience a financial shortfall leading to out-of-pocket expenses or lower-quality repairs which diminishes the value of the insurance coverage.[48] It should be noted that good value for the customer in insurer-arranged repairs depends on sound governance and procedures to select repairers who deliver high-quality work in the customers' best interests.

56. Another example is the expectation that the customer determines and tells the insurer the "sum insured". The sum insured is then specified in the insurance contact and is the maximum amount the insurer will cover. This is particularly relevant with home insurance where it is very

[47] Refer also to Section 2, which explains why these decisions are challenging for consumers.
[48] The Australian Financial Complaints Authority (the ombudsman) explains the risks in its April 2025 article [Understanding cash settlements.]

challenging for a customer to reliably estimate the replacement cost of completely rebuilding their home to its current size and quality, requiring consideration of costs such as labour, materials, demolition, debris removal, building approvals, professional fees associated with rebuilding and more. Further, the customer must review it regularly to make sure it still reflects the true cost of rebuild, which will increase with inflation and making home improvements, and even factors like variation in the supply and demand for building labour or supplies. If a customer is not aided to properly understand the significance of the sum insured and to nominate and keep revising the sum insured so that is appropriate, the value of the insurance coverage will be low.

57. The sum insured is also relevant to other insurance coverages, including liability insurance. Here, blanket messaging that encourages a consumer to choose the maximum sum insured if they can afford it may not be appropriate guidance to assist a consumer to properly evaluate the value offered by the different options of insurance coverage and select what is suitable and provides value to them, in their circumstances.

58. Decisions around switching products are also complex. For example, consumers may decide to switch products or providers given their personal and financial circumstances. However, the lack of portability of underwriting status may diminish the value of insurance for consumers as it creates complexities they may not be able to fully understand.

59. Switching typically requires re-underwriting, which can result in different, and potentially inferior, terms and conditions for the consumer. Changing insurance product or provider may involve a number of complex considerations that some consumers may find challenging, such as:

- Health indicators tied to age and anticipated future health deterioration;
- Estimated financial impact of losing their current underwriting status;
- Assessing switching costs that are uncertain and difficult to estimate; and
- Comparing products without the ability to see their “true value” if re-underwritten.

60. Given such complexities with decision-making, some consumers may effectively feel locked in to their existing insurance products or providers, even when alternative products or providers may offer better value for money, other things being equal. The impact is particularly significant where switching is involuntary, such as in cases of insurers’ exit or portfolio restructuring, where compensation based solely on policy value may be insufficient to allow consumers to obtain equivalent coverage elsewhere.

61. Features such as no-claim discounts for motor insurance show how allowing consumers to retain certain benefits when switching enable consumers to compare products and prices more effectively. The absence of similar portability in medical and life insurance may have material implications for consumer outcomes.

Malaysia

BNM addresses the complexity of insurance product decisions through two key regulatory instruments: the Fair Treatment of Financial Consumers (FTFC) Policy Document and the Product Transparency and Disclosure (PTD) Policy Document.

The FTFC policy outlines expectations for insurers to ensure that consumers receive clear, relevant and timely information, and that products are suitable for their needs, especially for vulnerable groups. For example, in ensuring distribution of insurance and takaful products are aligned to the complexity of the products and the intended target market, the FTFC policy prohibits insurers and takaful operators from engaging in predatory practices that exploit vulnerable consumers such as promoting highly complex investment-linked insurance or takaful products to consumers with no investment experience.

Complementing this, the PTD require insurers to present product information in a manner that is accessible and comprehensible, reducing reliance on technical jargon and enabling consumers to better assess product value and risks. Together, these policies aim to mitigate behavioural biases and information asymmetries by improving the clarity, relevance and usability of insurance disclosures throughout the product lifecycle.

5 Aspects that can enhance the value offered by insurance

62. Keeping in mind that any explicit supervisory expectation of "value" or "value for money" is currently defined on a jurisdiction-by-jurisdiction basis, this section sets out in a more general way key opportunities for insurance products to be valuable to consumers.

5.1 Product design that rewards risk reduction

63. Product design can enhance the value for consumers by incorporating features that incentivise and then reward consumers for taking risk reduction measures – for example, in home insurance, premium discounts when additional risk mitigating home improvements are installed such as cyclone-proof roofing or fire-retardant building materials.[49] In health insurance, examples include premium discounts and other rewards for health-promoting behaviours like health check-ups and exercise. This improves the value proposition of the product to consumers who take steps to reduce their risk and delivers value to an insurance customer even if that person never makes a claim against their policy.
64. Relatedly, home insurance coverage that permits rebuilding the home in new ways that reduce the inherent risk of the property may be more valuable than insurance coverage that permits only rebuilding the house in the equivalent way as it was built before, when that was a reason for its demise – for example, if a single-storey home destroyed by a flood cannot be rebuilt on stilts.

[49] The California Department of Insurance Sustainable Insurance Strategy is a comprehensive package of regulatory and administrative reforms aimed at modernising the state's insurance market to ensure accessible insurance for all Californians, create a resilient insurance marketplace and protect consumers and communities from the adverse impacts of climate change. One component has been the introduction of regulations that allow insurers to use catastrophe modelling and to incorporate the net cost of reinsurance leading to more accurate risk pricing and the offering of discounts to consumers for meeting mitigation and hardening requirements.

5.2 Customer-centric claims handling

65. Positive claims handling practices can enhance a product's value to the customer. Less cumbersome claims processes, initiatives that assist and support the claimant, regular updates on the pending claim status delivered in a convenient and clear manner, faster claims outcomes and rapid payments of approved claims are all characteristics of the claims handling service that can enhance the value of insurance products.
66. Support and facilitation of the claim-making process is likely to be especially valued when catastrophic events occur and consumers are at their most vulnerable. A good example of this is insurers who rapidly establish an on-the-ground presence in the aftermath of incidents such as wildfires or floods, meet face-to-face with customers to provide support and guidance on the claims process, ease typical requirements for submitting claims such as the itemisation of detailed inventories and expedite the payment of claims.
67. Parametric insurance, when adequately explained and understood by consumers, is increasingly discussed as a promising solution to reduce NatCat protection gaps.[50] The ease and speed of receiving a payout under parametric insurance is central to its value proposition for customers, as is the greater certainty for the customer, with upfront clarity over what events trigger payment and how much the payout will be. This eliminates the disputes and delays common in indemnity-based claims.

California, USA

In the aftermath of the devastating 2025 southern California wildfires, insurers collaborated with the California Department of Insurance (CDI) to quickly establish physical presences at relief sites in convenient community locations. At these sites, insurers offered support and information, provided advance payments to consumers for their immediate displacement needs, facilitated claims making processes and expedited claims handling processes.

Insurers also participated in the CDI-convened Residential Insurance Policy Locator (RIPL) free service. Through the service, a property owner in a declared disaster area who is unable to recall the name of their insurer can register in the RIPL. The CDI then forwards the information to the insurers licensed in California. All the insurers search their records to determine if they locate a policy that was in force at the time of the disaster, and, if so, contact the property owner directly.

Hungary

At the end of 2019, the Hungarian National Bank (MNB) developed and published the concept and the application framework for the Certified Consumer-friendly Home Insurance (CCHI), which is part of MNB's certified product family.[51] The CCHI primarily aims to put the interests of the customer first by setting standardised minimum frameworks.

CCHI products provide customers with higher-quality service compared to the products available on the market, without unnecessary covers and surplus expenses, in an easily comparable

[50] Parametric insurance provides rapid payouts triggered by predefined, measurable parameters, offering alternative or supplementary coverage to traditional indemnity insurance, including for losses that are often excluded by the latter. See IAIS, FSI and IAIS publish joint note on parametric insurance, 2024. For a case study on the introduction of NatCat parametric insurance solutions in Fiji, see United Nations Development Programme, Insuring Resilience: How Parametric Solutions are Transforming Climate Adaptation in the Pacific, 2025.
[51] See MNB, Report on insurance, funds, capital market risks and consumer protection 2021 page 63; see also https://mabisz.hu/wp-content/uploads/2023/06/biztositas-es-kockazat-10-evf-1-2-szam-3-cikk.pdf; https://www.mnb.hu/letoltes/minositett-fogyasztobarat-otthonbiztositas-palyazati-kiiras-2024-12-20.pdf

manner and guaranteeing customer-friendly service. Customers shall ensure to communicate with the insurer in fully digital form, starting from requests for information through to the submission of declaration of claim settlement documents to the cancellation or amendment of the contract.

When developing the principles related to claims settlement in CCHI products, the MNB noted that the steps of the claims settlement process and the deadlines related to them should be well defined and predictable for customers, and that customers should be continuously informed about the current status of the claims settlement process.

The concept pays special attention to empathetic and flexible adjustment to the life situation resulting from the claim event. Accordingly, advance payment of the claim and accelerated claims settlement are expected. In response to the problem of prolonged claims settlement processes, the MNB defined that only a narrow period is allowed for requesting documents necessary for assessing the claim and also prescribed the obligation to provide prior information regarding the documents. In instances of priority claims that threaten basic living conditions, the insurer designates a dedicated claims settlement contract for the customer throughout the entire claim settlement process and facilitates resolution by providing an advance on the claim.

5.3 Product flexibility and responsiveness

68. Product flexibility is a fundamental aspect of value for money. It ensures that a product is "adaptable" to changes in life circumstances (ie income fluctuations, family composition, emerging risks etc) and can therefore maintain its value over time. Indeed, a static product may initially offer value but can become misaligned if adaptability mechanisms (eg mid-term adjustments, modular benefits etc) are absent. Adaptability mechanisms help with identifying any circumstances that may adversely affect the consumer of that product and act on it, so as to prevent further occurrences of the detrimental event.
69. As such, value is offered when insurers continuously monitor and regularly review the products they have placed on the market, to identify events that could materially affect the main features, the risk coverage or the guarantees of those products. This also includes whether the products remain consistent with the needs, objectives and characteristics of the identified targeted market group of consumers. A good example of this is car insurers that offered premium discounts during Covid-19 lockdowns in recognition that people were not driving their cars (ie exposing them to risk) at the usual frequency.[52]
70. Beyond regular reviews, value also takes into account reviews triggered by ad hoc events that may adversely impact the products and/or the identified targeted group of consumers. To this extent, insurers continuously monitor the product performance leveraging on conduct-related indicators, such as persistency rate, surrender rate, lapse rate, consumer feedback and complaints, and claims ratio, and account for trends observed in conduct-related indicators when reviewing the product's overall performance – for example, insurers withdraw products with high lapses in early policy years or implement policies and procedures to ensure low lapse or surrender rates, especially in early policy years.

[52] Relatedly, see the Supervisory Statement issued by EIOPA in 2020 about EIOPA's expectation that insurance manufacturers systemically identify insurance products whose main features, risk coverage or guarantees have been materially impacted by the Covid-19 situation. EIOPA stated that, where products have been materially affected, insurance manufacturers should assess whether and how they continue to offer value to the target market, taking into account its needs, characteristics and objectives.

5.4 Downside protection

71. Product design that mitigates the downside risk for the customer can enhance the value offered by the product.

Malaysia

To safeguard the protection component offered by investment-linked insurance products, BNM prescribes the minimum and maximum amount of sum assured that must be provided for a given level of premium relating to insurance coverage.[53] In addition, BNM prescribes a minimum percentage of premiums that must be allocated into investment units for the first 10 policy years. This prevents a significant portion of the premium used to cover the insurer's expenses during the early years of the policy, rather than being allocated to the policyholder's account value. As a result, it preserves value by ensuring that policyholders benefit from the investment component right from the start.

6 How supervisors can assess that the insurance industry is offering value

6.1 Demonstrations in the governance and corporate culture

72. Supervisors can examine the insurer's governance – including specifically product governance, oversight and corporate culture[54] – for adequate prioritisation of delivering value to customers and ensuring good consumer outcomes.

UK

The FCA's Product Governance (PROD) rules, especially PROD 4.2.3A, emphasise that insurer's governance structures should ensure that products deliver fair value to their target market, including following renewal.

The FCA also requires insurers to undertake fair value assessments (FVAs) as a way of demonstrating if the price a consumer pays is reasonable compared to the overall benefits they receive. FVAs ensure that fair value is properly considered in insurers' decision-making processes.[55] They require insurers to undertake a comprehensive evaluation of product components, pricing, services and customer benefits throughout the product lifecycle, not just at point of sale, to ensure that products offer fair value. Factors for consideration include the nature of the product, type and quality of services and the expected total price to be paid. Products must be changed appropriately and no longer distributed if fair value cannot be identified and demonstrated clearly.

[53] BNM, Investment-linked Business, 2023.
[54] The IAIS Issues Paper on Insurer Culture (2021) expands on the relationship between insurer culture and fair treatment of customers. Cultural drivers include the insurers' values, business objectives and strategies, leadership accountability, internal communication, remuneration and performance management.
[55] FVAs are intended to ensure insurers properly consider fair value in their decision-making about products and services that are offered or provided to retail customers. It helps them to check and demonstrate that they are complying with their obligations.

The FCA conducted a thematic review analysing information from 28 manufacturers and 39 distributors covering 10 different general insurance and pure protection products to look at whether firms were meeting their obligations in this regard.[56] The FCA looked at whether firms have:

- Assessed and can demonstrate their products and services offer fair value;
- Effective product governance arrangements to meet the requirements; and
- Taken effective action where products may not be providing the intended value.

New Zealand

New Zealand's Financial Markets (Conduct of Institutions) Amendment Act mandates that licensed financial institutions establish, implement and maintain effective fair conduct programmes. These programmes involve regular reviews of product performance to ensure ongoing delivery of fair value and alignment with consumer needs. Insurers are expected to evaluate whether their remuneration, distribution and management practices support fair treatment, and to make timely adjustments when shortcomings are identified through monitoring. Such ongoing oversight is intended to promote transparency, address conflicts of interest and uphold the responsibility to deliver genuine consumer value throughout the product lifecycle.[57] The FMA actively oversees these programmes and may intervene to uphold regulatory standards.[58]

South Africa

The Financial Sector Conduct Authority's Policyholder Protection Rules highlight that insurers have a duty to design products that meet the specific needs of different segments, supported by transparent disclosures and clear communication. Continuous monitoring of claims ratios, consumer complaints and product performance is expected to support ongoing value delivery. Insurers are also required to maintain effective governance frameworks that regularly review the relevance and fairness of products throughout their lifecycle. These measures aim to prevent practices that could prejudice consumers or undermine trust in the industry.

EU

EIOPA's supervisory expectations suggest that insurers' governance frameworks should be structured to promote a culture of fair treatment and consumer-centricity. This includes incorporating a value for money perspective into organisational processes across all stages, from product development to post-sale review. For example, some insurers establish internal policies that incentivise staff to act ethically and prioritise consumer interests, supported by regular training and oversight activities. Supervisors evaluate whether the organisational culture is reflected in behaviours aligned with delivering fair value and may intervene when misconduct or misalignment with these principles are observed.[59]

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[56] FCA, Thematic Review TR 24/2: General insurance and pure protection product governance thematic review, 2024.
[57] See FMA, Fair conduct programmes – information for smaller firms, where the regulator emphasises that by establishing a well-structured, proportionate, and actively managed FCP, smaller financial institutions can demonstrate their commitment to fair treatment, which in turn contributes to building customer trust, loyalty, and long-term value, 2024.
[58] FMA, Fair Conduct Programme, 2024.
[59] See EIOPA, Supervisory statement on assessment of value for money of unit-linked insurance products under product oversight and governance, 2021.

6.2 Low claims ratios

73. Evidence of lack of value may accumulate over time and be observed through low ratios of claims payments relative to the sum of premiums paid.

New Zealand

Credit card repayment insurance (CCRI) is designed to cover the policyholder's minimum repayments or outstanding credit card balance if they become unemployed, unable to work due to serious illness or injury and/or in the event of death. CCRI is considered an "automatic acceptance" product, which means no medical or occupational underwriting is conducted before the policy is issued. Consequently, numerous exclusions and very prescriptive conditions are applied at the time of claim, meaning consumers may not ultimately receive the benefits they expect from the product. Research confirmed that CCRI is a poor-value product that poses a continued risk for those with existing policies in relation to eligibility to claim and ongoing suitability. Claim loss ratios (how much the insurer pays in claims out of the premiums earned) for CCRI are typically low. These can be as low as 10%, in comparison with loss ratios of approximately 80% for health insurers and 47% for life insurers. CCRI products have narrow coverage definitions, which may not be fully understood by the consumer.

The FMA found that underwriters and intermediaries do not display sufficient levels of consumer care in their suitability assessments and communications with consumers. Additionally, product reviews carried out identified many administrative errors relating to systems and processes, which also disadvantaged consumers.[60]

Belgium

The FSMA places strong emphasis on monitoring whether insurance products provide value for money to consumers. Insurance undertakings are permitted to develop and market only those products that deliver sufficient value for money. For non-life insurance products, a notably low claims ratio was used as an indicator.

The FSMA requested further explanations from insurance undertakings regarding products with a low claims ratio. Where insurers failed to provide a justification or provided an insufficiently convincing explanation for the observed indicators, the FSMA required them to take the necessary measures to ensure that their products would effectively deliver value for money to consumers.

Between 2023 and 2024, 50 non-life products were withdrawn from the market, cost reductions were implemented for four products and one product received additional coverages.

UK

In February 2024, the FCA intervened to pause the sale of Guaranteed Asset Protection (GAP) insurance based on concerns around value, only permitting several firms to recommence their sales of GAP insurance later in 2024 following action to improve fair value, including by paying out materially lower levels of commission.[61] Data showed that in 2022 only 6% of the amount consumers paid in premiums for GAP insurance was paid out in the claims, with some firms paying out as much as 70% of the value of insurance premiums in commission to parties involved in selling GAP insurance.

[60] FMA, Review of credit card repayment insurance products, 2021.
[61] FCA, GAP insurers agree to suspend sales following FCA concerns over fair value and Firms to recommence GAP insurance sales following FCA action, 2024.

6.3 Other claims handling indicators

74. Poor performance on claims handling data points can be a key indicator that the insurance product is not delivering adequate benefit and value to the customer. This can include a significantly higher number of claims rejected or delays in claims processing time.

Australia

In 2020, ASIC released a report on measuring the value for money that Australians receive from the default insurance provided by their superannuation funds.

This is important because superannuation trustees must offer default death and permanent incapacity insurance benefits on an opt-out basis to most members in a certain category of superannuation product, and many also choose to offer default insurance to members of another category of superannuation product. As a consequence, many Australians hold life insurance via their superannuation fund (almost 10 million superannuation accounts have insurance attached), and a majority of them have the default insurance offered by the fund rather than the person making a different selection of insurance.

ASIC's report compared some measures of value for money, with a focus on outcomes for members, across superannuation trustees and for distinct member cohorts. Key findings were:

- There was a wide variation in the types and level of default cover offered across the different superannuation products available in the market. Some offered over 20 times as much default cover as others. The premiums paid for default cover also varied widely. Differences in price are partly due to different levels of cover, but also other factors including the average risk level of the membership and the generosity of terms and conditions.
- Detailed insurance claims data revealed that some cohorts of members with default insurance, such as younger members and those in insurance policies with more restrictive terms and conditions, may be receiving relatively low value. This raises questions about the appropriateness of the default insurance design and fairness between groups of members.

Claims handling indicators used in the report to provide insights into member value were:

- Claims acceptance rate (share of finalised claims that are accepted);
- Withdrawn claim rate (share of received claims that are withdrawn);
- Average claim time (ie processing time); and
- Disputes per 100,000 lives insured.

The analysis suggested little or no systematic correlation between these claims-handling measures and claims ratios, which emphasises the importance of monitoring a range of indicators when assessing the outcomes being delivered.

UK

The FCA publishes general insurance value measures data, per its commitment in Policy Statement PS20/9 (see, for example, General insurance value measures data 2024 | FCA). The data includes insurer-specific information on claims frequencies, claims acceptance rates, average claims pay-outs and claims complaints as a proportion of claims for a wide range of retail general insurance products.

Insurers are required to report for relevant products sold to consumers in the UK where total retail premiums (written) are above GBP 400,000 in the reporting period, and where there are more than 3,000 policies in force during the reporting period.

The FCA describes that the data provides insurers, market commentators and organisations such as consumer groups with common indicators of value across a range of general insurance products. By publishing this information, the FCA aims to create incentives for insurers to compete on broader elements of product value rather than price alone, and to improve the value of the products and services they offer consumers.

Mauritius

Mauritius has implemented the National Insurance Claims Database (NICD) to improve transparency and accountability in the claims process, a key moment for consumers to assess product value. Through the NICD, the FSC requires insurers to have a structured claims process with reasonable timelines. The NICD platform also acts as a deterrent to unfair practices, as it allows real-time monitoring of claims data and flags anomalies for regulatory scrutiny.

The NICD addresses consumer dissatisfaction with delayed or opaque claim handling by ensuring traceability, enabling analytics, and providing data for supervisory oversight. This initiative mitigates the risk of value erosion at the claims stage, which has historically been a pain point for consumers.[62]

6.4 Investment return compared to profit

75. When appraising the value of investment-based insurance products, the investment return to the customer compared with the profit made by the issuer is a clear signal of whether the product is providing value to the customer. In this approach, it is important to take into account whether the costs charged are proportional to the benefits offered and are aligned with the risk-vs-return profile of the product.

EU

Throughout the years, EIOPA has reported risks arising from the limited benefits attached to some unit-linked and hybrid insurance products (eg unit-linked products with undue costs or other features not offering value to consumers).

Due to these risks, following its 2021 supervisory statement and 2022 methodology to assess value for money, in 2024 EIOPA introduced a methodology to develop EU-wide value for money benchmarks to support supervisors in identifying products with higher value for money concerns, enhancing standards on VfM supervision and fostering a more efficient and risk-based approach.[63]

The methodology focuses on three key steps:

- Step 1 – Products clustering: Definition of clusters to group products with similar characteristics;

[62] FSC, Press release: Awareness session on the National Insurance Claims Database, 2021.
[63] EIOPA, Methodology on Value for Money Benchmarks, 2024.

- Step 2 – VfM indicators to calculate benchmarks: Calculation of benchmarks for each indicator and cluster; and
- Step 3 – Data collection and benchmarks' calibration: To ensure appropriateness of results, benchmarks will be calibrated regularly.

Value for money benchmarks are:

- A tool to support supervisors to identify products with higher value for money risks; and
- A tool to foster a more efficient and risk-based approach.

Value for money benchmarks are not:

- A form of consumer disclosure; or
- A cost cap. Manufacturers can and are encouraged to go beyond the value for money benchmarks if the product features offer value.

Value for money benchmarks consist of a number of indicators measuring both costs and returns.

Poland

The Polish Financial Supervision Authority (KNF) conducted market research of the unit-linked business in Poland that highlighted potential adverse effects for consumers in relation to certain unit linked products. It particular, from the comprehensive analysis, it emerged that consumers' return at the recommended holding period ranged from –1.5% to –5.1%, while the gross profit margins for insurers ranged from 5% to 20%. Also, from historical analysis conducted by KNF, it found that of 2.7 million contracts sold since 1993, the average customer return was –4% and that only 12.5% of all the contracts generated income in the long run for consumers above inflation. Conversely, the gross profits generated for insurers were approximately EUR 2.3 billion.

KNF intervened by publishing a decision on 16 July 2021 imposing two conditions for unit-linked products to be offered by life companies in the Polish market:

- Prohibition of investments in contingent convertibles; and
- Prohibition of unit-linked life insurance contracts for which the average return is less than 50% of the risk-free interest rate over the recommended holding period (minimum of 10 years).

Following KNF's intervention:

- The number of active unit-linked products in the Polish market decreased from 105 to 31;
- The most impacted channel was bank assurance, where the sales of active-unit linked products almost stopped;
- There was a shift from "universal life" products to simpler, more transparent unbundled products with separate premiums for life cover and for unit savings part; and
- Consumers' margins improved due to lower product charges, while discounted profit margins of an insurance company decreased. This signals a "re-balancing" between consumers' outcomes and insurance companies' profits.

Hungary

In Hungary, the supervisory process to increase value for money of products (especially life insurance products) had two phases/two regulation packages.

Cost regulation

In 2016, the first phase main focus was on cost regulation for life insurance products. The regulation of the ACR (all cost ratio) calculation method increased the comparability of costs. Moreover, limits were also introduced for ACR in Unit Linked Guideline issued by the Hungarian National Bank (MNB). As a result of the regulation, expensive products with ACR between 6–14% disappeared from the market, and for products with an average term of 10 years it decreased from 7% to 4.8% after the introduction of the ACR limits.

Improving product performance

The main focus of the second phase was on product performance scenarios, which are the Hungarian measures based on EU regulations (IDD and POG requirements). In 2025 MNB issued a POG guideline, which introduced special requirements for unit-linked products. Based on the moderate scenario of the Key Information Document (KID), the average yearly return at the recommended holding period must be above 0% for asset funds with Summary Risk Indicator (SRI) 1-3 (low risk funds), and above 3% relevant inflation target for asset funds with SRI 4-7 (high risk funds). As a result, the average yearly return shown in the KIDs went up from 3.5% return (year-end 2023) to 6.2% return (October 2025) for high-risk asset funds. Also, the proportion of product-fund combinations in the market performing below these benchmarks drastically lowered from 33% of the products to 1% of the products.

6.5 Undue costs and commissions for pure risk products

76. High commissions and/or high costs can have an important impact on product value. Consistently high costs and/or consistently high commissions can be an indication of low value.

EU

EIOPA has developed a retail risk indicators methodology that also measure the level of commission rates. EIOPA analyses on an annual basis these retail risk indicators, which help national authorities in identifying possible outliers. The retail risk indicators were also used as part of EIOPA's thematic review, where EIOPA also identified that:

- A significant portion of the Gross Written Premium (GWP) paid by consumers finances the remuneration of banks, while claims payouts to consumers are, on average, below 30% of GWP.
- For the period between 2018 and 2020, commissions paid to banks ranged:
    - Between 30% and 70% of GWP for over half of mortgage Credit Protection Insurance (CPI) policies;
    - Between 40% and 80% of GWP for over two-thirds of consumer credit CPI policies; and
    - Between 40% and 90% of GWP for most credit card CPI policies.[64]

[64] EIOPA, Warning to insurers and banks on Credit Protection Insurance, 2022

The thematic review resulted in a warning to the market where EIOPA emphasised that manufacturers should also ensure that the testing assesses whether the product offers value to the target market, including by balancing the benefits for the manufacturer and the distributor with the ones to the target market. This should also include an assessment as to whether all costs are proportional to the expenses borne by the manufacturer and by the distributor and the benefits, with particular attention to the comprehensiveness of the coverage offered, and the services offered to the target market (ie no cost should be undue)

7 Conclusion

77. Insurance is a cornerstone of societal resilience and financial stability, as well as a key contributor to an individual's financial health, by offering protection against risks and enabling recovery from adverse events. However, the extent to which insurance products deliver value to consumers can vary, influenced by a range of factors.
78. This paper has explored the challenges consumers face in evaluating the value of insurance products at the time of making insurance purchasing decisions, plus the characteristics or practices that can diminish this value and those that can enhance it.
79. Consumers often encounter significant hurdles when assessing the value of insurance, including cognitive complexity, behavioural biases and informational asymmetries. These challenges can be compounded by market practices such as bundled sales, opaque pricing and distribution practices, which can further obscure the value proposition of insurance products. Observations from various jurisdictions highlight that these issues are not isolated.
80. At the same time, there are identifiable characteristics and practices that can enhance the value offered by insurance products. These include thoughtful product design that rewards risk reduction, responsive and consumer-focused claims handling, and flexibility to adapt to changing consumer needs.
81. The paper has described how supervisory approaches vary globally. Some jurisdictions have adopted explicit expectations around value for money, while others rely on broader principles such as fair treatment and product suitability to intervene in cases of low-value products. Other approaches include modifying the decision-making environment and promoting consumer understanding, both of which focus on trying to enable the customer to select an insurance product that will be valuable to them. These differences reflect the diverse regulatory landscapes and market conditions across jurisdictions.
82. The paper has also provided insight into different ways supervisors can monitor and assess value. They can rely on tools such as governance reviews and transparency measures or develop specific indicators to monitor value (eg claims ratios, returns over costs).
83. By bringing these issues to light, this paper aims to provide a comprehensive overview of the factors influencing the value of insurance products and the supervisory practices that address them. The observations presented here are intended to contribute to a deeper understanding of the challenges and opportunities in ensuring that insurance products meet the needs of consumers and support their financial security and resilience.