EIOPA seeks input on supervisory statement on differential pricing practices

PUBLISHED JUL 11, 2022
BY EUROPA

The European Insurance and Occupational Pensions Authority (EIOPA) is launching today a three-month-long public consultation relating to a draft supervisory statement on differential pricing practices.

For the purpose of the statement, EIOPA understands differential pricing practices as those pricing techniques in which consumers with similar risk and cost of service characteristics are charged different premiums for the same insurance products.

The statement reflects upon “price walking” in particular, which refers to the practice of increasing premiums at the renewal stage based on the analysis of characteristics specific to a particular consumer to predict behaviours not related to risk or cost of services, such as how much of a premium increase an individual consumer will tolerate before shopping for coverage with other product manufacturers.

EIOPA’s objective with the statement is to strengthen consumer protection by preventing the unfair treatment of consumers and to promote greater convergence in the supervision of differential pricing practices, to ensure that detriments to consumers are prevented via adequate product oversight and governance (POG) processes.

While the current EU legislative framework does allow certain differential price practices, such as commercial, marketing and underwriting discounts, EIOPA is of the view that some types of differential pricing practices fail to comply with the applicable framework and lead to the unfair treatment of consumers.

Price walking practices in particular can have a detrimental effect on policyholders who are unlikely to switch providers. The practice unfairly penalises loyal customers and can disproportionately affect vulnerable groups such as the elderly.

EIOPA therefore sets out in its supervisory expectations that insurers wishing to make use of differential pricing practices must demonstrate that they have adequate POG measures in place to ensure the fair treatment of consumers and the mitigation of consumer risks.

Stakeholders are kindly invited to provide their feedback on the consultation paper until 7 October 2022 by responding to the questions via the online survey.

Go to the survey

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