

Financial Services Team - BEUC

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### **Insurances and Pension: EIOPA consumer trends identification - input from the Norwegian Consumer Council (NCC)**

Referring to the letter and e-mail of 27. May for input to identify and report on consumer trends in insurance and pension areas.

#### Pension

The pension system appears to be very complicated. We note that the board is perceived by many to be very complicated and not very accessible, and there is already a low-interest product that many have little knowledge about.

The topic is extensive and complex and it is a challenge to maintain many different reasons. It is also important that the pension system is prepared in a straightforward manner. In this context, consideration should be simplified by establishing a single point, a unique "collection of information" or "account" for each future pension where all pension funds, both self-paid savings and employer paid from prior arrangements have been collected. Continuous arrangement from current employer should also be included as a size, and provide a forecast of how future pension payments will be subject to certain assumptions. It should be able to show whether it is a performance hybrid or defined contribution plan. It will give each future pension recipient a completely different opportunity to relate to, and overview private pension contributions and savings. A solution in the form of a unique pension account, where funds are bound to benefit payments start, must be vendor neutral. It must be possible for future pension recipient to change investment options and vendors throughout the vesting period.

In addition, the structure and practice of administrative costs and fees in pension be simplified. One percentage point excess payments to the financial management eats up 20 percent of the money to be paid out in pensions. It is important that the end user gets this communicated and has to neutral price comparing websites

#### Insurances

There are many unnecessary insurances being sold. In Norway you would for example be offered insurance on all items when buying small/cheap household appliances. The price of the insurance may amount to half the price of the product itself and this bad practice has flourished during the last decade. In Norway consumers have strong protection established in the law of consumer purchase, which in most cases probably covers consumer's possible claims and complaints better than the insurance offered. In addition these insurances often have so many exclusions that they are



worthless, and the initial price of the product is so low that the point of insurance is nonexistent. The reason why consumers buy it is probably because they are taken by surprise by the seller of the underlying product, convinced they need it since the expert on the product recommends it and insecure or ignorant about their rights according to the consumer purchase law. We also find these kinds of insurances on glasses and on airline tickets and in the travel sector in general.

Finally, we are concerned that the advice on pension and insurances field must maintain the highest standard of counseling. It must be, among others, special attention to vulnerable groups with poor qualifications related to investment, understanding risk and time horizon. It is important that these groups can be confident that the advice given is of good quality. The seller shall safeguard the vulnerable client's interests and not sell products in the interest of the seller or interest for the sellers employer. We further recognize the need for consumers to balance their decisions on investments in pensions with down payment on mortgages. Sales organizations in Norway makes great efforts when encouraging consumers to invest in third pillar pension schemes with few, if any, regards to benefits there will be in increasing down-payments of mortgages. We call for more holistic advice for sellers. Regulation for third pillar pensions should take this into account.

If you have questions related to the matter, please get back to us.

Best regards  
**The Norwegian Consumer Council**

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*This document is digitally validated and therefore has no signature.*