

Cologne, 6 March 2017

Position of the German Association of Actuaries on the actuarial issues surrounding the protection of consumer interests

Various developments such as the low-interest environment, digitalisation or demographic change have brought about significant changes to the range of products offered by insurers in Germany and Europe.

As a result of these factors, many new products have been launched in recent years. This increased choice has brought many opportunities but also challenges for the consumer and has meant that, more than ever, (potential) policyholders need product information that is transparent, easy to understand and easy to compare.

Consumer model

The work of the German Association of Actuaries (DAV) is geared towards a sophisticated consumer model that covers a wide spectrum of consumers ranging from 'competent' consumers to those 'in need of protection'.

For the work of actuaries this means that they have to be prepared for considerable differences in the financial awareness and capabilities of individual consumers. Every policyholder is primarily concerned with protecting him or herself against existential risks. The underlying risks are offset by insurers by means of the collective and/or over time. This means that a balance must be struck between protecting individual interests and protecting those of the general community of insured persons.

Meeting contractual obligations

Comprehensive consumer protection primarily involves ensuring that insurers' contractual obligations can be met at all times. Consumers have to be able to rely on the insurer being actually able to provide the agreed benefits in the event of a claim. Actuaries take care of this, thanks to their expertise and capabilities, in line with statutory rules and regulations and professional codes and standards. Thanks to mathematical methods and processes as well as their own know-how, actuaries are able to develop options that ensure, to a high degree, that obligations under insurance contracts will constantly be met.

Developing products that meet consumer needs

Actuaries are and have long been involved in the development of products that are geared towards consumers' needs. By means of directives concerning issues such as Markets in Financial Instruments (MiFID), Packaged Retail and Insurance-based Investment Products (PRIIP) and Insurance Distribution (IDD), for example, legislators create new conditions that will also have an impact on future product development. The DAV supports the development that attaches a

great deal of importance during the product development process to the wants and needs of consumers, to product suitability and to consumers' risk appetite.

Transparency

Enabling consumers with differing needs to make appropriate decisions concerning products on the insurance market is a further task undertaken by actuaries. To do so, they use methods and procedures to determine, interpret and compare information on product features, on different classes of product or on product options offered during the various phases of an insurance contract. This should enable consumers to understand information about insurance products and contained in insurance contracts and hence to select a suitable insurance product for their needs from the wide range of products available.

Positioning of the DAV

At national and European level the responsibilities and competences surrounding consumer protection are clearly defined. One core task of the supervisory authority, BaFin, in Germany and of EIOPA in Europe is collective consumer protection, including protecting consumer interests in their entirety. Beyond this, courts and arbitration bodies (such as the ombudsman) protect the interests of individual consumers.

Actuarial activity is designed to safeguard the protection of the interests of the community of insured persons, making it a crucial part of collective consumer protection. Thanks to the contribution they make in assuring transparency, actuaries help consumers to understand and compare products as well as making them aware of any related opportunities and risks and enabling them to understand their own rights and obligations. Protecting consumer interests through actuarial activity does not, however, involve any fiduciary responsibility in the form of determining the ideal insurance cover for an individual customer.

The German Association of Actuaries (Deutsche Aktuarvereinigung or DAV) is the professional body representing actuaries and Appointed Actuaries in Germany. It creates the underlying conditions enabling its members to practice their profession properly and in a technically sound manner as well as engaging in constant dialogue with all relevant national and international institutions in order to ensure that its professional expertise is brought to bear during legislative processes in the interests of actuaries and to the benefit of consumers and companies.