

Payment Protection Insurance Expands In Much Of Europe, Could Regulatory Intervention Cast Clouds?

Contributed by Finaccord
 Wednesday, 04 June 2014
 Last Updated Wednesday, 04 June 2014

Loan and credit card payment protection insurance may have come to a troubled end in the UK but they remain very much alive in most other countries in Europe according to new research published by Finaccord, a leading market research consultancy specialising in financial services. Across 20 European countries, these two types of insurance combined were worth around EUR 11.06 billion in gross written premiums in 2013, up from EUR 9.80 billion in 2009. In fact, they constitute a substantial proportion of the total European market for creditor insurance valued at EUR 39.32 billion in 2013, most of which is composed of mortgage-related life insurance.

However, regulatory intervention and the economic recession in a number of European countries mean that growth has been very unequally distributed. While the market for loan and credit card payment protection insurance in the Netherlands (down by over a half since 2009) has been hit by regulatory intervention, others such as Portugal and Spain – both decreasing by over one third – have suffered as a result of the crash in underlying lending. In contrast, fast-growing consumer lending markets such as Russia and Turkey experienced high triple-digit growth in related insurance products between 2009 and 2013.

“The reasons for the collapse of payment protection insurance in the UK are well-known”, comments Tobias Schneider, Consultant at Finaccord. “However, while the UK may be the worst example, national and European regulators have started to look intensively at selling practices used for payment protection insurance sold in conjunction with loans and credit cards in other countries. As a result, regulations concerning remuneration structure and transparency in the context of creditor insurance have tightened considerably in a number of cases. Regulatory intervention has had the most drastic effect in the Netherlands and the UK but other countries such as Poland may also be affected in the future by changes to national legislation. In addition, one should also not forget that the European Insurance and Occupational Pensions Authority (EIOPA) is in the process of undertaking a Europe-wide enquiry into the creditor insurance market, the outcome of which is not yet clear.”

According to Finaccord’s research, six of Europe’s top ten underwriters of loan and credit card payment protection insurance are likely to originate from France, a market that has been characterised by relatively ‘light touch’ regulation that has aimed to improve customer information and diversify distribution channels rather than to eliminate these forms of insurance. In terms of their weighted share of partnerships, which takes into account both the number of retail customers of their distributors and the size of the markets in which they are active, BNP Paribas – or, rather, BNP Paribas Cardif, its international insurance business – is ranked highest with a weighted share of 12.8%. It is followed by Soci t  G n rale (ranked third at 5.6%), CNP Assurances (ranked fourth at 5.6%), Cr dit Mutuel (ranked sixth at 4.3%), Cr dit Agricole (ranked seventh at 3.8%), and AXA (ranked eighth at 3.2%). While not directly equivalent to market shares of premiums, these weighted shares may be considered a reasonable proxy for them in most cases.

Media contact: Richard Dhuny, +44 (0)20 3178 2556, rdhuny@finaccord.com