

INSURANCE/PENSIONS



What does inflation mean for my insurance and private pension* ?

Inflation may impact your financial situation and reduce your purchasing power now and in the long term.



Take time to consider your options before taking important decisions on your insurance and private pension products (e.g.: temporarily stop paying in contributions to your pension or your regular premium life insurance product, not renewing an insurance product or terminating your insurance-based investment product early), because these decisions can also impact your financial situation now and in the future.

It is important to have an overview of the insurance policies you have and of what do they cover, before making decisions on them. Bear in mind that the price of the insurance product is not necessarily the most important factor.

Consider seeking help/advice. Indeed, seeking advice on your insurance product can help you to consider your current and future needs and the potential consequences of a decision (e.g. penalty fees for ending an investment early, no adequate insurance coverage for your home/car).



How could inflation affect my life insurance product or private pension?

Inflation may mean your investments are less profitable for you.



It can lead to you having less disposable income now or in the future based on the returns on your investments and private pension.

For example, when you leave or retire, the amount you have saved in your pension pot, no matter how long you have contributed, may not be adjusted to the rate of inflation: your purchasing power could therefore be reduced.

If you decide to surrender your life insurance early or temporarily stop paying into a regular premium or savings product, because of your immediate financial needs, you may have to pay penalty fees and may have less income or savings in retirement or later in life.



If I own non-life insurance products such as home or car insurance, how could inflation impact those products?

Inflation may affect your insurance costs (your premiums), your coverage and the pay-out you receive for a successful claim.



For example, from one year to another, your car insurance premium can significantly increase, notably due to the rise in the cost of car repairs.

In some cases, inflation could have a direct impact on whether the compensation for any losses covered by your policy is sufficient for your needs. Take home insurance as an example. After a claim, the pay-out from your policy might not be sufficient to cover the cost of materials for repairs or rebuilding all or parts of your home.

N.B. In this factsheet, state pensions are not covered. Private pension refers to workplace and personal pensions.



3 steps you can take to deal with the impact of inflation and rising interest rates on your insurance products and private pensions

1



For all types of insurance products and private pensions, avoid taking hasty decisions

Be wary of letting a period of rising prices dictate your decisions on whether to take out essential insurance products, such as home insurance. Sometimes, the **consequence** of not doing so can lead to riskier outcomes than you might have foreseen.

So do not just compare prices, also compare coverage. Find the right policy for your needs.

Keep in mind that before taking an important decision on your insurance products, you could consider seeking advice from your financial advisor.

Private pensions have a long-term horizon. Keep in mind that saving less now to have more immediate income, means less pension in the future, which may not match your retirement needs.

2



For life insurance products and private pensions, adopt a long-term perspective

You should not look only at the short-term impact of high inflation, but consider that in the long-term the situation will change

It is important to keep in mind that a life insurance policy that is an insurance-based investment product is normally bought with a perspective of investing for a medium to long term period.

- Do not take rushed decisions based only on the current rate of inflation.
- The value of some investments can fluctuate over time due to frequent changes in financial markets.
- Keep in mind that today's value is not the tomorrow's value.

If you approach a **financial advisor** for advice, bear in mind the following:

- The financial advisor is required by law to always act honestly, fairly and professionally with your best interests in mind.
- The financial advisor should help you to make an informed choice when buying a life insurance policy or investing more money in an existing one.
- If you are already approaching retirement and considering buying a **lifetime annuity**, you could also consider an inflation-linked annuity, which will protect your annuity against inflation. This product will start at a much lower rate, but it will help you avoid any inflation risk in the future.
- If you are advised to invest in a range of different types of assets to get higher returns and beat the high inflation, ask your financial advisor about the type of fees which you need to pay and about the risks.

3



Adapt your coverage for non-life products

If you need to save money, rather than deciding not to renew an existing policy, you could consider:

- Only choose the most essential coverage.
- Increase the rate of the **policy excess** (this is the amount of money you agree to pay towards the overall cost of any claim).
- Check if you are already covered for the same risk under a different policy (including credit cards).

Look around the market and compare quotes from different insurance providers, but be careful not to decide only based on price. Check the types of coverage offered.