

How accurate are your IPIDs?

30 May 2025  Joanna Wallens

In May 2025 The European Insurance and Occupational Pensions Authority ([EIOPA](#)) [published a report](#) analysing the clarity of disclosures in Insurance Product Information Documents (IPIDs) for natural catastrophe coverage in home insurance policies across eight European countries.

IPIDs are standardised documents that provide key information about non-life insurance consumer products in a clear and concise format. The purpose of IPIDs is to help consumers understand products and make informed decisions when purchasing insurance by having the ability to more easily compare the key aspects of different policies. IPIDs are obligatory for most consumer products in the EU and UK (mandated by the Insurance Distribution Directive (IDD) and the Insurance Conduct of Business Sourcebook (ICOBs)).

Many households opt to not take out natural catastrophe insurance. EIOPA considers that vague information disclosures are contributing to this large protection gap and causing consumers to mistakenly assume that they are covered against natural catastrophe risks when they are not.

EIOPA's findings

EIOPA found that some IPIDs:

1. used unclear, vague and inconsistent language or relied too heavily on separate policy documents, making it difficult for consumers to understand the full scope of coverage and the exclusions that apply;
2. referred to Natural Catastrophe events using terms and definitions that varied greatly across insurers, or which were only partially explained. For example, some IPIDs indicated general coverage for 'flood', but excluded all precipitation-related floods without explicitly pointing this out;
3. did not clearly present optional add-on coverage as optional, giving consumers the false impression that Natural Catastrophe risks were automatically included;
4. did not clearly disclose coverage limitations; whether geographical, frequency-related or connected to the type of hazard or the magnitude of the damage. For example, some policies only offered payouts for hail damage once every five years without specifying this condition in the IPIDs;
5. unnecessarily relied on external documents. EIOPA found this limited customers' ability to understand the coverage from the IPID. For example, some IPIDs contained only a few exclusions, referring to the terms and conditions for others, even though the IPID allowed space to include more information regarding the main exclusions; and
6. were rarely reviewed or updated in response to significant events, such as Natural Catastrophe events. Similarly, most firms did not use complaints information to prompt product reviews.

EIOPA recommendations

The EIOPA report contains a number of suggestions to improve the clarity of IPIDs, including:

1. using consistent terminology between terms and conditions and IPIDs;
2. only referring to external documents when strictly necessary. The IPID's purpose is to work as a stand-alone document;
3. avoiding the use of misleading names in relation to coverage; and
4. using clear descriptions of cover and scenarios to facilitate understanding. For example, *"if your house gets flooded in 2025 this will be*

covered; however, if there is a subsequent flood before 2030 this will not be covered”.

What does this mean for insurers?

With the number of natural catastrophes increasing due to global warming, it is important that customers understand whether they have adequate insurance coverage.

IPIDs can be a useful tool for increasing customer understanding, however if good practices are not followed, they can cause customers to inaccurately assess the extent of their natural catastrophe protection and cover more generally.

Creating effective IPIDs involves a careful balance of giving customers sufficient and accurate information, without overloading them. The report also emphasises the importance of using plain language.

EIOPA referred to firms not undertaking frequent reviews of IPIDs. Although the IDD does not explicitly refer to the need to review or update the IPID, the implication of the COM's response to Q&A 2324 is that where changes made to the insurance contract are the consequence of changes to the insurance product (as opposed to further personalisation/individual tailoring of the terms based on negotiation between the parties), the distributor would be expected to update the IPID (as a stand-alone document provided for the target market). It is important that firms frequently review their customer facing documentation to ensure its suitability and accuracy. All PROD reviews should include a review of all associated documentation, including IPIDs.

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