INSURER CONDUCT AND CONSUMER PROTECTION. INTRODUCING THE INSURANCE CONDUCT QUALITY INDEX (ICQI) FOR SUSTAINABLE PERFORMANCE

Valentin Ionescu*
Financial Supervisory Authority, Bucharest, Romania

Abstract
This paper examines the relationship between insurer conduct, consumer protection, and sustainable performance, with particular attention to the Romanian insurance market. Insurer conduct is approached as a multidimensional concept encompassing product governance, information and distribution practices, claims handling, complaints and remediation, treatment of vulnerable consumers, remuneration, organizational culture, and the use of technology. Drawing on the literature on service quality, consumer trust and retention, corporate governance, and insurance regulation, the paper develops a conceptual transmission mechanism linking internal governance and incentives to business processes, consumer outcomes, trust and retention, and ultimately sustainable performance. The conceptual analysis is complemented by descriptive evidence on the structure and recent development of the Romanian insurance market and by a discussion of insurers' broader role within the domestic financial system. Building on this framework, the paper proposes a multidimensional architecture for conduct monitoring covering product governance and value for money, distribution, claims handling, complaints and remediation, accessibility and vulnerability, and internal governance. As an operational extension of this architecture, the paper introduces the Insurance Conduct Quality Index (ICQI), an original conceptual monitoring instrument designed to integrate multiple dimensions of insurer conduct and consumer outcomes within a structured assessment framework. The ICQI is conceived as a monitoring and diagnostic tool rather than a causal model, with its empirical calibration and validation left for future research. The analysis suggests that insurer conduct should be viewed not only as a regulatory compliance and consumer protection issue, but also as a component of effective governance and long-term value creation. From this perspective, improvements in conduct may entail short-term implementation costs while potentially contributing to stronger consumer trust, higher retention, lower reputational and operational costs, greater portfolio stability, and more sustainable financial intermediation.

* Corresponding author, **Valentin Ionescu** – valentin.ionescu@asfromania.ro

Keywords
insurer conduct; consumer protection; corporate governance; sustainable performance; insurance market; risk-based supervision; financial intermediation

JEL Classification
G22; G28; G32; G23

Introduction

Insurance is, fundamentally, a promise whose economic value becomes fully apparent when the insured risk materialises. Policyholders pay premiums in advance, while the actual quality of the insurance product and the services associated with it may only become observable when a claim is made, a contractual modification is requested, or the policy is terminated. This particular structure of the insurance relationship creates information asymmetries and makes trust an essential component of the interaction between insurers and policyholders. It also gives rise to conduct risk, understood broadly as the possibility that the design, distribution, administration, or termination of insurance products may generate adverse outcomes for consumers even when an insurer complies with prevailing prudential requirements.

From this perspective, insurer conduct and financial performance should not be regarded as entirely separate dimensions of insurance activity. Inappropriate sales practices, disproportionate commissions, unclear contractual information, delays in claims settlement, or ineffective complaint handling can undermine consumer trust, increase policy cancellations, generate litigation and regulatory sanctions, and ultimately affect an insurer's ability to maintain a stable and sustainable portfolio. At the same time, the relationship may operate in the opposite direction. Pressure on profitability, capital, or operating costs may influence commercial and operational decisions in ways that affect the treatment of policyholders. The relationship between conduct, consumer outcomes, and insurer performance is therefore potentially dynamic and bidirectional.

The growing importance of conduct considerations is also reflected in the regulatory and supervisory architecture of the insurance sector. At the European level, market monitoring and conduct-risk indicators are increasingly used to identify vulnerabilities that may result in consumer detriment. Relevant dimensions include complaints, claims-related indicators, policy cancellations, commissions, product characteristics, and the quality of distribution practices (EIOPA, 2016). At the international level, insurance supervisory principles connect business conduct with policyholder protection, while broader financial consumer-protection frameworks emphasize fair treatment, transparency, access, data protection, effective complaint handling, and appropriate mechanisms for consumer redress. Together, these developments indicate a gradual shift from a predominantly compliance-oriented perspective toward an outcomes-based approach to insurer conduct and consumer protection (EIOPA, 2024).

These issues are particularly relevant in the Romanian insurance market. The substantial role of motor insurance, periods of market instability, and the concentration of consumer complaints in particular market segments illustrate the potential interaction between consumer outcomes, insurer practices, and market stability. The use of indicators that relate complaints to the number of insurance contracts or reported claims represents an

important step toward more meaningful comparisons across insurers, since absolute numbers alone may primarily reflect differences in portfolio size (ASF, 2020). More generally, assessing insurer conduct requires moving beyond individual indicators and considering the broader set of processes through which insurance products generate outcomes for consumers.

Accordingly, consumer protection cannot be adequately assessed solely based on the absolute number of complaints received by an insurer or supervisory authority. A high number of complaints may reflect a large customer base, greater accessibility of complaint channels, the characteristics of a particular insurance line, or an external shock rather than systematically poor conduct. Conversely, a low number of complaints does not necessarily imply favourable consumer outcomes if barriers to reporting or limited consumer awareness are present. Conduct should therefore be assessed through a multidimensional perspective that considers product governance, distribution practices, claims handling, complaints and remediation, accessibility and treatment of vulnerable consumers, as well as the internal governance mechanisms through which these processes are monitored and controlled.

Research on the Romanian financial system has increasingly emphasized the interactions between capital-market dynamics, macroeconomic conditions, and financial stability. An earlier contribution by Albu et al. (2019) examines the relationship between the default risk of listed Romanian companies and sectoral economic activity, illustrating how market-based measures can be used to investigate macro-financial linkages. More recent research has focused on the financial-stability implications of speculative dynamics. Lupu et al. (2025) develop a market-based fragility measure and show that asset-bubble episodes in Romania are associated with increased systemic risk and financial fragility, while Lupu et al. (2026) provide further evidence that elevated systemic risk is not confined to bubble collapses but can be observed across different stages of the bubble lifecycle. Complementary studies document recurrent but non-persistent speculative episodes, substantial heterogeneity across Romanian equity-market segments, and periods of synchronization in market exuberance and subsequent corrections (Călin & Lupu, 2026; Călin, 2026). Beyond endogenous market dynamics, recent evidence also points to heterogeneous responses to external sources of risk. Călin and Lupu (2026) show that European carbon-price innovations are associated with differentiated systemic-risk responses across major Romanian listed companies, particularly between financial intermediaries and carbon-exposed non-financial firms. Taken together, this literature portrays the Romanian financial system as an emerging-market setting in which macro-financial linkages, market-specific vulnerabilities, and heterogeneous risk transmission are relevant considerations for financial-stability monitoring. Against this broader background, the insurance sector represents an important component of non-bank financial intermediation whose role extends beyond risk protection to the accumulation and investment of financial resources, providing a natural motivation for examining insurer conduct, consumer confidence, and sustainable performance within the wider financial-system context.

Against this background, the objective of this paper is to develop an integrated framework for examining the relationship between insurer conduct, consumer protection, and sustainable performance, with particular reference to the Romanian insurance market.

The paper contributes to the literature in three main ways. First, it brings together the governance, conduct, consumer-outcome, and performance dimensions within a unified conceptual framework. Second, it places these relationships in the specific context of an emerging European insurance market and connects the analysis of insurer conduct with the broader role of insurance companies in financial intermediation. Third, it proposes a multidimensional conduct-monitoring architecture that moves beyond complaint counts by incorporating product governance and value for money, distribution practices, claims handling, complaints and remediation, accessibility and vulnerability, and internal governance.

The remainder of the paper is organized as follows. Section 1 reviews the relevant literature on insurer conduct, consumer protection, corporate governance, and sustainable performance. Section 2 discusses the Romanian insurance market and its position within the broader financial system. Section 3 develops the conceptual framework linking internal governance, insurer conduct, consumer outcomes, and sustainable performance. Section 4 proposes a multidimensional framework for monitoring insurer conduct in the Romanian insurance market. The paper concludes with a discussion of the main managerial and supervisory implications, the limitations of the proposed framework, and potential directions for future research.

1. Review of the scientific literature

1.1. Insurer Conduct and Consumer Protection

The relationship between insurers and policyholders differs from many conventional market transactions because the quality of an insurance product cannot be fully assessed at the moment of purchase. Consumers pay premiums in exchange for protection against uncertain future events, while some of the most important attributes of the product become observable only when coverage is needed. Product design, distribution practices, contractual information, claims handling, complaint resolution, and the treatment of customers throughout the product lifecycle therefore represent essential dimensions of consumer protection.

This particular structure makes insurer conduct broader than compliance with disclosure requirements at the point of sale. From an outcomes-oriented perspective, appropriate conduct requires insurance products to be designed for identifiable target markets, distributed through suitable channels, communicated understandably, and monitored throughout their lifecycle. Product governance is consequently connected to the concept of value for money: the price paid by the policyholder should be considered together with the coverage provided, product limitations, distribution costs, expected benefits, and quality of associated services. Formal compliance with contractual and disclosure requirements does not necessarily guarantee favorable consumer outcomes when the underlying product provides limited value or is poorly matched to consumer needs (EIOPA, 2024b).

Recent empirical evidence illustrates the importance of pricing and product architecture for consumer welfare. Exploiting the deregulation of commercial auto-insurance premiums in China as a quasi-natural experiment, Wang et al. (2025) find that premium-rate deregulation increased the claims ratio and generated measurable gains in consumer surplus. The improvement reflected both lower premium income and higher claim

payments, demonstrating that insurance-market rules may affect consumer welfare through both pricing and claims-related channels. Product design can similarly influence how consumers allocate themselves across coverage alternatives. Using simulations based on Chilean health-insurance data, Antonini et al. (2026) show that risk-rating incremental premiums for more comprehensive coverage can improve consumer sorting and welfare under certain conditions. These benefits, however, depend on the effectiveness of the underlying risk-adjustment mechanism. Pricing and value for money should therefore not be evaluated independently of coverage design, risk characteristics, and the institutional environment in which insurance products are offered.

Claims handling constitutes another particularly important dimension of insurer conduct because it represents the point at which the insurer's contractual promise is tested most directly. The quality of claims management depends not only on formal procedures but also on the organizational environment in which claims decisions are made. Tseng (2017), using survey evidence from licensed insurance claims adjusters, finds that organizational justice and the influence of significant others significantly affect adjusters' attitudes toward lenient claims-handling practices, while attitudes are subsequently associated with behavioural intentions. This provides insurance-specific evidence that internal organizational conditions can influence employee decision-making in an area with direct implications for both policyholders and insurers.

Technology increasingly changes how these interactions take place. Digital claims systems can reduce transaction costs and facilitate access, but their effectiveness ultimately depends on the consumer's ability and willingness to use them. Gebert-Persson et al. (2019), examining consumers who submitted insurance claims online, find that perceived ease of use, perceived usefulness, and attitudes toward technology are substantially more important for adoption intentions than trust in the online channel. More recent evidence similarly emphasizes that the adoption of online insurance services depends on both technological readiness and barriers perceived by consumers (Nagarajan & Duggal, 2026). Digitalization should consequently not be treated as an improvement in conduct simply because it increases operational efficiency. Its consumer-protection implications also depend on usability, accessibility, and the ability of different categories of policyholders to interact effectively with digital services.

Accessibility is particularly relevant because consumers differ in their financial knowledge, technological capabilities, socioeconomic characteristics, and capacity to navigate insurance processes. Evidence from public health-insurance programs indicates that barriers to enrollment and utilization can emerge at the individual and household level, through providers, and through program design and administration, while some groups face compounded vulnerabilities (Prihartono et al., 2026). Although these findings originate from a different institutional setting, they reinforce a broader principle relevant to insurance conduct: identical procedures may generate different outcomes across consumer groups.

Taken together, this literature supports a multidimensional understanding of insurer conduct. Consumer protection cannot be reduced to a single indicator such as the number of complaints or the price of an insurance policy. Product governance and value for money, distribution, claims handling, complaints and remediation, accessibility, and the treatment of vulnerable consumers represent interconnected dimensions of the consumer

experience. Their assessment also requires consideration of the internal organizational arrangements that shape how insurers design, distribute, administer, and monitor their products.

1.2. Service Quality, Satisfaction, Trust, and Customer Retention

The economic consequences of insurer conduct operate partly through the quality of the relationship established with policyholders. The service-quality literature generally conceptualises quality through the relationship between customer expectations and perceived performance, while the economic value of superior service may emerge through greater retention, positive recommendations, additional purchases, and lower costs associated with service failures (Zeithaml, 2000). These mechanisms are particularly relevant in insurance because repeated interactions may be limited and individual service encounters can therefore have disproportionate effects on consumers' overall evaluation of the insurer.

Insurance-specific research confirms the multidimensional nature of service quality. Siddiqui and Sharma (2010), examining life insurance, identify dimensions including assurance, competence, corporate image, technology, and personalized financial planning as relevant components of customers' evaluation of service quality. The expansion of digital distribution and servicing has added further dimensions to this relationship. Eckert et al. (2022) integrate digital applications into the analysis of insurance customer satisfaction, reinforcing the argument that technological innovations should ultimately be assessed according to the outcomes experienced by customers rather than exclusively through their effects on operational efficiency.

Trust is particularly important in this setting because consumers purchase protection against events whose timing and consequences are uncertain and cannot fully verify product quality ex ante. Recent evidence from the life-insurance market supports the behavioural relevance of this mechanism. Tanjung and Cahyanti (2025) find that consumer trust, together with financial literacy and risk aversion, significantly influences demand for life insurance. Trust therefore represents an important channel through which consumers' perceptions of insurance institutions may affect participation in the market, although its effects interact with individual characteristics.

The growing use of artificial intelligence in insurance distribution provides additional evidence of this heterogeneity. Yang et al. (2025), using an experimental setting, find that both human and AI intermediaries significantly increase insurance uptake, with no overall difference in their effectiveness. However, consumers with greater risk aversion exhibit stronger trust in human intermediaries and higher purchase rates when human guidance is available, whereas less risk-averse consumers display no significant difference in trust between human and AI intermediaries. The effect of technological innovation on consumer behaviour therefore depends partly on consumer characteristics and on the capacity of different distribution channels to generate confidence and facilitate decision-making.

Service quality and technology are also associated with subsequent customer loyalty. Using evidence from insurance consumers under crisis conditions, Skaf et al. (2026) identify customer satisfaction as an important driver of loyalty and show that technology

and service quality contribute to this relationship. User-friendly online platforms are positively associated with satisfaction, while positive service interactions further reinforce customer loyalty. These findings complement evidence on digital insurance by suggesting that technological investment is most likely to generate favourable consumer outcomes when accompanied by effective service delivery. This relationship is also supported by evidence from private health insurance. Gün and Söyük (2025) show that perceived quality and customer satisfaction mediate the relationship between trust and repurchase intention, further illustrating how consumers' evaluations of service can translate into subsequent purchasing behaviour.

Negative consumer evaluations can produce the opposite behavioural response. Kumari et al. (2026) find that post-purchase regret among health-insurance consumers significantly affects dissatisfaction and brand-switching intentions, with the premium paid representing an important antecedent of regret. Such findings illustrate how unfavourable assessments of an insurance purchase may translate into commercially relevant behavioural intentions.

Observed retention, however, should not automatically be interpreted as evidence of satisfaction or favourable conduct. Using consumer-level panel data from the Estonian car-insurance market, Kepp and Männasoo (2025) demonstrate that substantial consumer inertia is driven by inattention and that the degree of inattention differs across consumer groups. Once consumers consider available alternatives, their decisions to switch or remain with an existing insurer exhibit substantial price sensitivity, whereas brand preference plays a comparatively modest role. Customer retention may consequently result from satisfaction and trust, but it may also reflect search frictions, limited attention, or switching costs.

This distinction is important when customer outcomes are connected to insurer performance. Customer relationships possess measurable economic value because policyholders generate current and expected future cash flows. Fang et al. (2016), for example, develop an insurance-specific customer-profitability approach incorporating historical purchasing behaviour, expected future cash flows, and liability reserves. At a more direct level, Jahnert and Schmeiser (2022) examine customer-level measures of recommendation and profitability in insurance, providing a basis for connecting customer experience with economically relevant outcomes.

Overall, the literature supports a transmission mechanism in which service quality and consumer experience influence satisfaction and trust, which in turn affect purchasing, renewal, recommendation, and switching behaviour. The relationship is nevertheless neither deterministic nor homogeneous. Financial literacy, risk aversion, technological readiness, consumer attention, and search frictions can modify the behavioural response to insurer practices. Consequently, indicators such as retention or switching should be interpreted jointly with broader evidence on customer experience rather than treated as standalone measures of conduct quality.

1.3. Corporate Governance, Incentives, and Insurer Performance

Consumer-facing practices originate within organizations and are therefore influenced by governance structures, managerial incentives, internal controls, and organizational culture. Agency theory provides a useful starting point for this relationship. The

separation between ownership and control can create incentives for managers to pursue objectives that differ from the longer-term interests of shareholders and other stakeholders. These problems may be particularly relevant in insurance because important costs can materialise with considerable delay, technical provisions require judgment, products are complex, and distribution frequently involves intermediaries.

Early insurance-specific research recognised the importance of governance structures for insurer performance (Diacon & O'Sullivan, 1995). Subsequent research has examined more directly how ownership, monitoring, and remuneration arrangements relate to risk-taking. Eling and Marek (2014), using evidence from the UK and German insurance industries, show the relevance of corporate governance and compensation structures for insurer risk-taking. This literature provides an important basis for viewing remuneration and internal monitoring not merely as administrative arrangements but as mechanisms capable of influencing managerial decisions and the risk profile of the insurer.

Managerial incentives may also operate through pricing and commercial decisions. Malinovskii (2013) theoretically demonstrates how incentives to report favourable annual results may encourage aggressive pricing conduct in competitive insurance markets, with implications for customer migration, business expansion, revenues, and solvency. The study illustrates a potentially important transmission mechanism through which short-term managerial objectives can affect both commercial and prudential outcomes.

More recent empirical research confirms the relevance of governance structures for insurer performance. Examining listed and non-listed UK insurers before, during, and after the global financial crisis, Abdoush et al. (2022) find that board non-duality and the presence of a majority shareholder are associated with improved firm performance. The effects of individual governance mechanisms differ, however, between listed and non-listed insurers and across periods. This indicates that the governance–performance relationship is contingent on organizational characteristics and the broader economic environment rather than being uniform across firms.

Governance structures can also affect operational efficiency. Lee et al. (2019), studying Malaysian Takaful operators, find that corporate governance characteristics are significantly associated with cost efficiency. In particular, board size and the proportion of non-executive directors display negative associations with cost efficiency, while evidence concerning technical efficiency is more limited. Together with the findings of Abdoush et al. (2022), these results caution against interpreting individual governance characteristics as universally beneficial or detrimental. Their implications may depend on the institutional setting, organizational structure, and performance dimension under consideration.

The influence of governance may extend beyond conventional financial indicators. Ullah et al. (2019), using listed insurance companies in Bangladesh, find that board independence and female board representation are positively associated with the extent of corporate social responsibility disclosure, whereas managerial ownership is negatively associated with disclosure. Although CSR disclosure differs from consumer conduct, this evidence indicates that governance arrangements can be associated with organizational practices extending beyond conventional measures of profitability and risk. More recent work similarly uses structured multidimensional frameworks to assess governance and sustainability practices within insurance organizations (Mohd Zain & Hassan, 2026).

The relevant governance mechanisms for conduct therefore extend beyond the formal existence of boards, committees, policies, and control functions. Effective governance also depends on the information received by decision-makers, their capacity to challenge commercial decisions, the independence and resources of key control functions, the identification and remediation of consumer problems, and the incentives embedded in remuneration systems. A formally comprehensive governance architecture may coexist with poor consumer outcomes when commercial targets reward volume without sufficient regard for product suitability, when claims or complaints are treated primarily as cost centres, or when identified problems do not generate timely corrective action.

This distinction is important for the conceptual framework developed in this paper. Governance can affect insurer outcomes directly through risk management, efficiency, and strategic decision-making, but it can also operate indirectly by shaping incentives and organisational behaviour. In this second channel, internal governance influences the processes through which products are designed, sold, serviced, and monitored. Insurer conduct can therefore be viewed partly as an observable manifestation of deeper organizational arrangements.

1.4. From Insurer Conduct to Sustainable Performance: An Integrated Perspective

The preceding strands of literature suggest that insurer conduct, consumer outcomes, governance, and financial performance should not be examined as isolated domains. Their interaction can instead be represented as a sequence in which internal governance and incentives shape organizational processes, these processes affect consumer outcomes, and consumer experiences influence trust and subsequent behaviour. Over time, these behavioural responses may have implications for the insurer's commercial and financial performance.

The economic value of consumer-oriented practices can arise through several channels. Better product design and clearer distribution can reduce inappropriate sales and subsequent remediation. Effective claims and complaint handling can limit repeated processing, disputes, and reputational costs. Positive service experiences can strengthen satisfaction, trust, and loyalty, while unfavorable experiences may increase switching intentions. These mechanisms suggest that expenditure on conduct and consumer protection should not necessarily be interpreted exclusively as a compliance cost. Some conduct-related expenditures may represent investments in the durability and quality of customer relationships.

Recent insurance-specific evidence provides support for the broader relationship between service quality and financial outcomes. Chen et al. (2026), examining Taiwanese life insurers, find that companies receiving service-quality awards exhibit superior financial performance as measured by ROA and ROE. The study interprets these awards as credible signals of operational excellence and also identifies significant relationships between corporate governance characteristics and financial outcomes. The results are consistent with the proposition that service quality and governance can represent complementary dimensions of sustainable insurer performance.

This mechanism is also compatible with signaling arguments. Because consumers cannot completely observe the quality of an insurance promise before a claim occurs, observable service characteristics and credible external indicators may provide information about

otherwise difficult-to-assess organizational quality. However, signals are economically meaningful only to the extent that they correspond to substantive practices. Reputation, certification, awards, or public conduct indicators cannot substitute for appropriate product design, fair claims processes, or effective remediation when adverse consumer outcomes occur.

A broader strand of insurance research similarly associates responsible organizational practices with financial performance. Using an international sample of 167 insurance companies, Sylos Labini et al. (2025) find that stronger governance and commitment to ESG-oriented sustainability policies, particularly among US insurers, are associated with favorable financial performance. Di Tommaso et al. (2025), however, demonstrate why sustainable performance should not be reduced to a single financial indicator. Their international analysis associates SDG-13 compliance with higher profitability and lower price volatility but also with lower solvency ratios. Responsible organizational practices may therefore generate different effects across profitability, operational, market-risk, and prudential dimensions.

This multidimensionality is particularly relevant to insurer conduct. Measures intended to improve consumer outcomes can involve immediate costs associated with systems, staff, training, product review, remediation, or enhanced controls. Their potential benefits may materialize over a longer horizon through stronger customer relationships, fewer operational failures, lower dispute and remediation costs, improved reputation, or greater portfolio stability. The short-term and long-term effects of conduct improvements therefore need not coincide.

The relationship may also operate in the opposite direction. Weak financial performance, capital constraints, or pressure to reduce costs may alter managerial incentives and operational decisions. Such pressures could influence pricing, product design, distribution targets, claims processes, staffing, or investment in customer service. This creates the possibility of a feedback mechanism in which performance conditions affect conduct while conduct-related outcomes subsequently influence performance. The existence of such a mechanism does not imply that all changes in financial performance originate in conduct; insurance profitability is simultaneously affected by underwriting conditions, investment returns, catastrophe losses, regulation, competition, and macroeconomic developments.

Organizational justice provides an additional perspective on this relationship. Consumers evaluate not only the final economic outcome of an insurance interaction but also the procedures through which decisions are reached and the manner in which they are treated. This is particularly important in claims and complaints, where an outcome that differs from the consumer's initial expectation may nevertheless be perceived differently depending on the transparency, timeliness, consistency, and quality of the process. On the internal side of the organization, evidence that organizational justice influences claims-adjuster attitudes (Tseng, 2017) further suggests that fairness-related considerations may operate both within the insurer and in its interactions with policyholders.

The literature therefore supports an integrated conceptual sequence:

Internal governance and incentives → insurer conduct → consumer outcomes → satisfaction and trust → purchasing, retention and switching behavior → sustainable insurer performance.

This sequence should not be interpreted as a simple linear or deterministic causal model. Consumer characteristics and market conditions can moderate individual links, while feedback effects may operate from performance to conduct. Moreover, observed outcomes such as retention can result from both favorable customer relationships and market frictions. The framework consequently requires multiple indicators rather than reliance on a single measure of either consumer protection or insurer performance.

Against this background, the present paper positions insurer conduct as an intermediate organizational mechanism connecting internal governance with consumer and economic outcomes. This perspective complements research that has traditionally examined service quality, corporate governance, consumer behaviour, and insurer performance separately. It also provides the conceptual basis for a multidimensional conduct-monitoring architecture in which product governance and value for money, distribution, claims handling, complaints and remediation, accessibility and vulnerability, and internal governance are considered jointly. The following sections apply this perspective to the Romanian insurance market and discuss its relevance within the broader financial system.

2. The Romanian Insurance Market and its Role in the Financial System

2.1. Market Structure and Recent Developments

The Romanian insurance market provides a relevant setting for examining the interaction between insurer conduct, consumer outcomes, and sustainable performance. Although the sector has expanded in recent years, its structure remains strongly oriented toward non-life insurance and, within this segment, toward motor-related business. This configuration has important implications for consumer protection because a substantial share of insurer–customer interactions is concentrated in products characterized by frequent claims, price sensitivity, and direct exposure to claims-settlement practices.

The market continued to expand in 2024. Gross written premiums generated by insurers authorized by the Romanian Financial Supervisory Authority (ASF) and branches operating in Romania amounted to approximately RON 23.4 billion, representing an increase of 11% compared with the previous year. Non-life insurance accounted for approximately RON 19.09 billion, or 81% of total gross written premiums, while life insurance premiums reached approximately RON 4.34 billion. Nevertheless, life insurance recorded the stronger annual growth rate, exceeding 16%, compared with approximately 10% for non-life insurance (ASF, 2025).

The predominance of non-life insurance is also visible in the longer-term evolution of individual business lines. The public ASF series assembled for this study show that gross written premiums for class A3 (land vehicles other than railway rolling stock) increased from approximately RON 1.76 billion in 2016 to RON 3.55 billion in 2023, while premiums for class A10, which includes motor third-party liability insurance, increased from approximately RON 4.14 billion to RON 8.01 billion over the same period. Other non-life classes also expanded, including class A8, for which premiums increased from approximately RON 0.95 billion in 2016 to RON 1.79 billion in 2023. These developments indicate that the expansion of the market has remained closely connected to non-life risks and particularly to motor insurance (ASF, 2025).

This structure matters for the analysis of conduct. In motor insurance, consumer outcomes depend not only on the price and characteristics of the policy but also on the efficiency

and fairness of claims settlement. The importance of this channel is reinforced by the volume of payments made by insurers. In 2024, gross claims and other insurance payments reached approximately RON 10.6 billion, 24% above the previous year's level. Approximately RON 8.7 billion, or 82% of the total, related to non-life insurance. Romanian evidence also confirms the operational importance of claims dynamics. Using monthly data for 2011–2023, Păvălașcu et al. (2025) document trends and seasonal patterns in the number of claim files and compensation values and examine the statistical relationship between these two dimensions of claims activity. Their analysis reinforces the relevance of claims management for risk assessment and operational decision-making in the domestic insurance market.

Motor third-party liability insurance is particularly significant. Total RCA premiums written by authorized insurers, branches, and firms operating under the freedom to provide services amounted to approximately RON 9.94 billion in 2024, an increase of 7% from 2023. The average annualised RCA premium was approximately RON 1,271, while the average RCA claim reached approximately RON 11,177 (ASF, 2025). The economic importance of this segment makes pricing, claims handling, communication, and remediation especially relevant dimensions of conduct monitoring. Moreover, in compulsory motor insurance, the individual receiving compensation may not be the policyholder who selected the insurer, making claims outcomes particularly important from a broader consumer-protection perspective.

At the same time, the life-insurance segment should not be overlooked. The public series included in the database indicate substantial activity in traditional life-insurance classes and more variable developments in products connected to investment exposure. The stronger aggregate growth of life-insurance premiums in 2024 suggests potential for a gradual diversification of the Romanian insurance market. Such diversification is relevant not only commercially but also for financial intermediation because life insurers can mobilise longer-term household savings and invest resources over comparatively long horizons.

Market structure also displays a meaningful degree of concentration. In 2023, the largest insurers accounted for substantial individual shares of total premiums written by ASF-authorized undertakings. Concentration is not in itself evidence of unfavourable consumer outcomes, but it increases the importance of monitoring conduct at both firm and product level. Practices adopted by large insurers can affect a significant proportion of policyholders, while disruptions affecting major market participants can have broader implications for confidence in the insurance sector.

Recent indicators nevertheless point to an improvement in aggregate financial conditions. At the end of 2024, the market-wide Solvency Capital Requirement ratio stood at approximately 160%, while the Minimum Capital Requirement ratio was approximately 374%. The combined ratio for non-life insurance was approximately 87.2%, down from 89.36% in 2023, with declines also reported for important classes including A3, A8, and A10 (ASF, 2025). The database assembled for the present analysis additionally records a net profit of approximately RON 1.34 billion and a positive net technical result of approximately RON 1.43 billion for 2024.

These aggregate indicators are relevant to the present framework because financial soundness and consumer protection should not be treated as competing objectives.

Adequate capitalization and sustainable underwriting provide insurers with the capacity to honour contractual commitments, invest in claims and customer-service infrastructure, and absorb adverse shocks. Conversely, favorable prudential indicators do not by themselves establish that products generate appropriate outcomes for consumers. Financial soundness and conduct quality therefore represent complementary dimensions of a sustainable insurance market.

2.2. Insurance, Financial Intermediation, and Capital-Market Development

The relevance of insurance extends beyond the direct provision of protection against risk. Insurance companies are financial intermediaries that collect premiums, accumulate financial assets, and allocate resources across financial instruments. This function is particularly important in life insurance, where the longer duration of liabilities can support the accumulation and investment of long-term savings. Insurance-market development may therefore have implications for household financial allocation, institutional investment, and ultimately the broader process of financial development.

International evidence supports this broader interpretation. Nasri et al. (2025), comparing OECD and MENA economies, find that life-insurance penetration has a positive and significant relationship with economic growth in OECD countries. Their results also indicate that institutional conditions matter, with government effectiveness, regulatory quality, and the rule of law playing different roles across the two groups of economies. The insurance–development relationship should therefore be considered within the wider institutional architecture in which financial intermediation takes place.

Insurance can also interact directly with household saving decisions. Zhou et al. (2026), using household-level evidence from China, show that combinations of private health and pension insurance affect pension-saving behavior and that these effects vary across socioeconomic groups. Although these findings cannot be directly transferred to Romania, they illustrate an important general mechanism: insurance participation forms part of a household's broader allocation of financial resources rather than representing an isolated purchasing decision. Confidence in insurance products can consequently influence not only demand for risk protection but also longer-term saving and portfolio choices.

This broader role is particularly relevant in Romania because the domestic financial system remains characterized by a relatively limited contribution from non-bank institutional investors compared with more developed European financial systems. The OECD's *Capital Market Review of Romania* reported insurance-sector assets of approximately EUR 3.8 billion in 2020, representing less than 2% of GDP. The report also documented a strong preference for government securities and comparatively limited allocations to corporate bonds and equities, illustrating both the institutional-investor role of insurers and the relatively modest extent to which this role had translated into financing through the domestic capital market.

More recent international statistics continue to illustrate the importance of fixed-income instruments in Romanian insurers' portfolios. OECD data for 2023 show that bonds represented approximately 92% of the relevant investment portfolio of Romanian domestic life insurers, excluding assets linked to unit-linked products where investment risk is fully borne by policyholders. Equity represented only around 1.9% of the portfolio.

This portfolio structure is consistent with the liability-management and prudential characteristics of insurance activity, but it also indicates that the direct equity-market channel through which traditional life insurers contribute to domestic capital-market depth remains comparatively limited.

At the same time, the potential macro-financial importance of the sector should be considered against Romania's relatively low level of insurance penetration. OECD data indicate that total insurance premiums represented approximately 1.1% of Romanian GDP in 2024. This suggests that the insurance sector remains relatively small in relation to the size of the economy and that there is scope for further development of risk protection and long-term insurance-based financial products.

The potential connection between insurance development and capital-market development is therefore best interpreted as a long-term channel rather than as evidence that Romanian insurers currently constitute a dominant source of domestic market financing. Greater consumer confidence, broader insurance participation, and the development of long-duration insurance products can increase the resources intermediated by the sector. Depending on product structure, regulation, risk management, and investment opportunities, part of these resources may subsequently be allocated through financial markets. The strength of this transmission mechanism is consequently conditional on both the development of the insurance sector and the availability of suitable domestic financial instruments.

The importance of this institutional channel becomes clearer when placed within the existing literature on Romanian financial markets. Earlier research by Albu et al. (2019) examines the relationship between market-based default probabilities of Romanian listed companies and sectoral economic activity, illustrating the usefulness of capital-market information for the analysis of macro-financial linkages. More recent studies have focused on the financial-stability implications of speculative market dynamics. Lupu et al. (2025) develop a market-based fragility measure and associate asset-bubble periods in Romania with elevated systemic risk and financial fragility, while Lupu et al. (2026) provide evidence that elevated systemic risk may occur across different stages of the bubble lifecycle rather than exclusively following bubble collapses.

Complementary evidence indicates that speculative dynamics in the Romanian equity market are heterogeneous across market segments and can become synchronized during particular periods. Călin and Lupu (2026b) identify recurrent but non-persistent episodes of exuberance across Bucharest Stock Exchange indices, while Călin (2026) documents substantial differences in bubble incidence, duration, and termination patterns across Romanian equity indices. External shocks can also produce heterogeneous financial-stability effects. Călin and Lupu (2026a) show that European carbon-price innovations are associated with differentiated systemic-risk responses among major Romanian listed companies, particularly between financial intermediaries and carbon-exposed non-financial firms.

Taken together, this evidence portrays the Romanian financial system as an emerging-market environment in which market development coexists with heterogeneous sources of risk and relatively limited non-bank financial intermediation. Insurance companies occupy a dual position within this system. They provide protection to households and firms while simultaneously accumulating and investing financial resources. The quality

and sustainability of the insurer–consumer relationship may therefore have implications extending beyond individual transactions.

This broader perspective does not imply that improved insurer conduct automatically produces capital-market development. The transmission mechanism is indirect and depends on several intermediate conditions. Nevertheless, a plausible sequence can be identified: favorable consumer outcomes can support trust in insurance institutions; trust can facilitate insurance participation and the persistence of long-term contractual relationships; expansion of long-term insurance activity can increase the pool of assets managed by insurers; and a larger institutional-investor base can potentially contribute to financial intermediation and capital-market development. This channel is likely to be particularly relevant for life insurance and insurance-based investment products.

For the present paper, the implication is that insurer conduct should not be viewed solely as a micro-level relationship between an insurance company and an individual policyholder. In a market where insurance penetration remains comparatively low, and the institutional-investor base is still developing, consumer confidence and sustainable insurer performance may also contribute to the longer-term development of non-bank financial intermediation. This provides an additional rationale for integrating consumer protection, governance, financial performance, and financial-system considerations within a common analytical framework.

3. A Conceptual Framework Linking Conduct, Consumer Protection and Sustainable Performance

The literature reviewed above indicates that insurer conduct cannot be adequately understood as an isolated set of customer-facing practices. Product design, distribution, claims handling, complaints, and customer service originate within an organizational environment characterized by particular governance structures, commercial objectives, incentive systems, control mechanisms, and cultural norms. At the same time, the consequences of these practices extend beyond immediate consumer outcomes because they may influence trust, customer behavior, operational costs, reputation, and ultimately insurer performance. Building on these relationships, this section develops an integrated framework connecting internal governance, insurer conduct, consumer outcomes, and sustainable performance.

3.1. The Conduct Transmission Mechanism

The proposed framework consists of four interconnected layers: internal governance and incentives, conduct processes, consumer outcomes, and economic outcomes. Rather than treating these dimensions separately, the framework interprets insurer conduct as the transmission mechanism through which internal organizational characteristics become observable in the insurer's interactions with policyholders.

The first layer comprises internal governance and incentives. It includes board oversight, organizational culture, remuneration systems, management objectives, risk appetite, internal controls, and the effectiveness of key functions. Governance establishes the organizational conditions under which commercial and operational decisions are made. The relevant question from a conduct perspective is therefore not merely whether formal

governance structures exist, but whether they generate appropriate incentives, information flows, accountability, and corrective action.

This distinction is particularly important when commercial and consumer-protection objectives may appear to conflict in the short run. Sales targets can encourage business growth but may also create incentives for unsuitable distribution. Cost controls can improve efficiency but may adversely affect claims handling or customer support if implemented without appropriate safeguards. Similarly, remuneration based predominantly on sales volumes can generate different behavioral incentives from remuneration systems incorporating product suitability, persistency, complaints, or other measures of customer outcomes. Governance therefore represents the starting point of the conduct transmission mechanism.

The second layer consists of conduct processes and behaviors. These include product design and product oversight and governance, pricing and value for money, distribution, information and disclosure, claims handling, complaint resolution, remediation, and digital interactions. These processes constitute the points at which organizational policies and incentives are translated into actual consumer experiences.

Product governance occupies an upstream position in this layer because weaknesses at the design stage can subsequently affect multiple consumer outcomes. A product that is poorly aligned with the characteristics of its target market may generate problems that cannot be fully corrected through better disclosure at the point of sale. Similarly, distribution arrangements and remuneration can influence whether an otherwise appropriate product reaches the consumers for whom it was designed. Claims and complaints provide downstream information about whether the product and associated processes function as intended.

Conduct should consequently be evaluated throughout the insurance-product lifecycle rather than exclusively at the point of sale. This approach is consistent with contemporary insurance supervision, which increasingly emphasizes the relationship between product design, target markets, distribution strategies, monitoring, review, and corrective action.

The third layer contains consumer outcomes. Relevant outcomes include product suitability, perceived value, comprehension, accessibility, fair treatment, timely access to contractual benefits, satisfaction, and trust. Importantly, these outcomes are related but not interchangeable. A consumer may be satisfied with a particular interaction while having purchased a product that is poorly suited to his or her needs. Conversely, an unfavorable claims decision does not necessarily demonstrate poor conduct if the contractual limitation was appropriate, clearly communicated, consistently applied, and accompanied by a fair process.

Consumer protection should therefore be evaluated through both substantive and procedural outcomes. Substantive outcomes concern whether consumers receive products and benefits consistent with their needs and contractual entitlements. Procedural outcomes concern the quality, transparency, accessibility, consistency, and timeliness of the processes through which those outcomes are produced.

The fourth layer comprises economic and organizational outcomes. Consumer experiences may affect renewal, cancellation, switching, recommendation, additional purchases, and the willingness to maintain longer-term relationships with an insurer. At the firm level, these behaviors can influence premium income, customer-acquisition

costs, administrative expenses, remediation and litigation costs, reputation, portfolio stability, and profitability.

The resulting transmission mechanism can be summarized as follows:

Internal governance and incentives → Conduct processes and behaviors → Consumer outcomes → Trust, satisfaction and customer behavior → Sustainable insurer performance.

The framework does not imply that every link is automatic or that conduct represents the dominant determinant of insurer profitability. Underwriting conditions, investment returns, catastrophe losses, inflation, competition, regulation, and macroeconomic developments remain major determinants of insurance performance. Instead, the framework identifies conduct as one organizational channel through which managerial decisions and consumer relationships can contribute to longer-term economic outcomes.

3.2. Feedback Effects and the Bidirectional Nature of the Relationship

Although the framework can be represented sequentially, the underlying relationships are not exclusively unidirectional. Financial and operational conditions may themselves influence conduct.

An insurer experiencing deteriorating profitability or rising claims costs may face stronger incentives to increase premiums, reduce operating expenses, tighten claims controls, modify distribution arrangements, or increase commercial pressure. Some of these responses may represent appropriate risk management. Others may generate adverse consumer outcomes if financial pressures are transmitted into excessive sales incentives, inappropriate product changes, inadequate customer support, or unreasonable barriers to legitimate claims.

Conversely, strong and sustainable financial performance may increase the resources available for technological infrastructure, staff training, claims management, compliance, product monitoring, and customer support. Financial resilience can therefore facilitate investment in conduct quality, although strong profitability does not by itself guarantee favorable consumer outcomes.

The relationship between conduct and performance should consequently be regarded as potentially bidirectional:

Conduct → consumer outcomes → customer behavior → performance

but also:

Performance pressures → managerial incentives and operational decisions → conduct.

This feedback mechanism is important because simple correlations between conduct indicators and financial performance can be difficult to interpret. For example, high expenditure on remediation or customer-service improvements may initially coincide with lower profitability even when such measures reduce future operational and reputational costs. Similarly, deteriorating claims outcomes may reflect both conduct decisions and external developments such as claims inflation or catastrophic events.

External conditions therefore surround the entire framework. Macroeconomic shocks, inflation, technological change, regulatory interventions, competitive pressure, demographic developments, and catastrophic events may simultaneously affect insurer performance, consumer behavior, and conduct processes. These factors should be taken

into account when conduct indicators are interpreted by managers, researchers, or supervisors.

3.3. Short-Term Costs and Long-Term Value Creation

A central implication of the framework is that the economic consequences of conduct may differ across time horizons. Improving product governance, redesigning remuneration systems, modernizing claims processes, strengthening complaint handling, reviewing legacy products, or providing additional support to vulnerable consumers can generate immediate expenditure. From a narrow short-term accounting perspective, stronger conduct arrangements may therefore appear to increase costs.

However, this interpretation ignores the potential longer-term consequences of poor consumer outcomes. Inappropriate sales can generate cancellations and remediation costs. Weak claims processes can create repeated customer contacts, complaints, litigation, and reputational damage. Products offering insufficient value may become commercially unsustainable as consumers, distributors, or supervisors respond. Poor service experiences can also affect trust and future purchasing behavior.

Conduct-related expenditure can therefore have an investment component. Resources allocated to prevention, monitoring, and early remediation may reduce the probability or severity of subsequent failures. Similarly, investments in usable digital interfaces may simultaneously improve operational efficiency and customer experience when technology is appropriately designed.

This does not imply that greater expenditure on conduct necessarily improves performance. Excessively complex procedures can increase administrative costs without generating meaningful consumer benefits. Additional controls can also create delays or reduce accessibility. The relevant objective is therefore effective conduct, rather than maximum procedural intensity.

The economic case for good conduct rests on the balance between immediate implementation costs and potential longer-term benefits. These benefits can include lower error and reprocessing costs, fewer complaints and disputes, stronger customer relationships, reduced reputational risk, and more stable portfolios. The empirical evidence discussed in Section 2, including the association between service-quality recognition and insurer financial performance documented by Chen et al. (2026), is consistent with the possibility that customer-oriented organizational practices and financial performance can reinforce one another.

Accordingly, sustainable insurer performance is defined here more broadly than short-term profitability. It encompasses the insurer's capacity to maintain financially viable operations while honouring contractual commitments, preserving customer relationships, controlling operational and reputational risks, and maintaining sufficient financial resilience over time.

3.4. Heterogeneity Across Insurance Products and Consumers

The relative importance of individual conduct dimensions varies across insurance products. A uniform assessment framework should therefore allow for differences in product characteristics and customer interactions.

In life insurance, contracts frequently have long maturities and may involve savings or investment components. Product complexity, surrender conditions, costs, expected returns, and the quality of advice therefore become particularly relevant. Consumer detriment may emerge gradually and may not immediately generate complaints. Persistency, early surrender, product value, suitability, and the alignment between product characteristics and customer objectives can consequently provide important information.

For insurance-based investment products, the interaction between investment risk, costs, distribution incentives, and expected consumer outcomes makes product governance and value for money particularly important. The long duration of some products also means that the consequences of conduct decisions can persist well beyond the initial sale.

In non-life insurance, consumer experience is often more directly observable at renewal and, particularly, when a claim occurs. Claims acceptance, settlement times, communication, documentation requirements, repair processes, and complaint handling can therefore assume greater importance. This is especially relevant in high-volume motor insurance markets such as Romania.

RCA requires particular consideration because the claimant and the policyholder purchasing the insurance may be different individuals. The person directly experiencing the quality of claims handling may therefore have had no role in selecting the insurer. This weakens the conventional market mechanism through which dissatisfied customers discipline providers by switching to competitors and increases the relevance of effective conduct supervision.

Heterogeneity also exists across consumers. Financial literacy, age, risk aversion, digital capabilities, previous insurance experience, and vulnerability can affect how consumers understand products and interact with insurers. The same process may therefore produce different outcomes for different groups. Digital claims procedures, for example, may substantially improve convenience for some customers while creating barriers for others. This heterogeneity implies that aggregate indicators should be interpreted cautiously. An acceptable market-wide average can conceal unfavorable outcomes concentrated in particular products or consumer groups. Conduct monitoring should therefore permit segmentation by product, distribution channel, consumer characteristics, and, where possible, stage of the product lifecycle.

3.5. Conduct as an Organizational and Supervisory Information System

A further implication of the framework is that conduct indicators should be used as an integrated information system rather than as isolated measures of compliance. Complaints, for example, are valuable indicators but are inherently incomplete. Their number depends on portfolio size, consumers' willingness and ability to complain, awareness of available channels, product characteristics, and the nature of the underlying event.

The same limitation applies to other individual indicators. A low cancellation rate may indicate strong customer relationships or simply consumer inertia. A high claims ratio may reflect generous claims outcomes, inadequate pricing, changes in the underlying risk environment, or a combination of these factors. Rapid claims settlement may improve

customer experience but should not be pursued at the expense of appropriate fraud controls. No single measure therefore provides a sufficient assessment of conduct quality. A more informative approach combines indicators across different stages of the insurance relationship. Upstream indicators can capture product design, target-market assessment, remuneration, and distribution. Intermediate indicators can reflect customer contact, claims processes, accessibility, and service quality. Downstream indicators can include complaints, remediation, cancellations, litigation, sanctions, and other observed consumer outcomes.

This approach also distinguishes between leading and lagging indicators. Governance weaknesses, unusual sales patterns, changes in remuneration, or deteriorating claims-processing times may provide early signals of emerging conduct problems. Complaints, litigation, regulatory sanctions, or large-scale remediation frequently become visible only after consumer detriment has already occurred.

The value of a conduct-monitoring system therefore lies partly in its capacity to connect signals across organizational functions. A rise in complaints should trigger analysis of the underlying products, distribution channels, claims processes, and affected customer groups rather than being treated solely as an operational metric. Similarly, persistent cancellations or claims disputes can provide information relevant to product review and governance.

Recent supervisory developments support this direction. EIOPA's follow-up assessment of product oversight and governance supervision reports increasing use by national competent authorities of conduct-risk frameworks combining product-specific and undertaking-specific analysis, together with off-site monitoring, thematic reviews, product assessments, and supervisory prioritization. At the international level, the IAIS similarly identifies conduct and culture as connected supervisory concerns and explicitly links governance, performance management, remuneration, complaints handling, and organizational culture with the fair treatment of customers.

The conceptual framework developed in this section consequently provides the basis for moving from individual conduct indicators toward a structured monitoring architecture. Such an architecture should capture multiple stages of the insurer–consumer relationship, distinguish organizational drivers from observed consumer outcomes, permit comparisons across products and firms, and provide information that can support both internal management and risk-based supervision. Section 5 develops such a framework for the Romanian insurance market.

4. A Conduct Monitoring Framework for the Romanian Insurance Market

The conceptual relationships developed in the previous section raise a practical measurement problem. Insurer conduct is multidimensional and cannot be adequately represented by a single observable variable. Complaints, claims, cancellations, sanctions, distribution practices, product characteristics, and governance arrangements provide different and only partially overlapping information about the quality of insurer conduct. A monitoring framework should therefore combine indicators across the insurance-product lifecycle while preserving the distinction between organizational drivers, business processes, and observed consumer outcomes.

This section proposes a multidimensional conduct-monitoring architecture adapted to the Romanian insurance market. The framework is intended primarily as a structured instrument for organizing conduct information rather than as a fully estimated index. Its purpose is to identify the dimensions that should be monitored jointly, indicate potential measures for each dimension, and establish principles for their interpretation. Where sufficiently granular and harmonized data become available, the architecture could subsequently provide the basis for constructing an Insurance Conduct Quality Index (ICQI) at insurer, product, or market level.

4.1. Dimensions of the Proposed Framework

The proposed architecture contains six dimensions: (1) product governance and value for money; (2) sales and distribution; (3) claims handling; (4) complaints and remediation; (5) accessibility and consumer vulnerability; and (6) internal conduct governance. Together, these dimensions cover the main stages through which organizational decisions can generate consumer outcomes.

Table no. 1. Proposed multidimensional framework for monitoring insurer conduct

Dimension	Main objective	Potential indicators	Interpretation
Product governance and value for money	Assess whether products are designed for an identifiable target market and provide reasonable value relative to costs, coverage, limitations, and expected benefits	Product-review frequency; target-market deviations; cost/benefit indicators; commissions and charges; early cancellations or surrenders; product modifications following review; indicators of coverage utilization	Persistent mismatches between product characteristics and target-market outcomes may indicate weaknesses in product design or monitoring
Sales and distribution	Identify risks arising from sales practices, distribution channels, incentives, and information provided to consumers	Commission levels and structures; sales concentration by channel; cancellations shortly after sale; replacement or switching rates; suitability-related incidents; training and certification; distribution-related complaints	Unusual sales patterns should be assessed together with remuneration, product characteristics, and subsequent customer outcomes
Claims handling	Assess whether consumers obtain timely, consistent, and fair access to	Claim frequency; acceptance/rejection rates; settlement time; reopened claims; disputed claims; average claim value;	Claims indicators should be interpreted jointly with exposure, claims severity,

	contractual benefits	claims-related complaints; litigation; differences across products and channels	fraud controls, and external shocks
Complaints and remediation	Identify recurring sources of consumer detriment and evaluate the insurer's capacity to correct them	Complaints per 1,000 policies; complaints per 1,000 claims; upheld complaints; resolution time; recurring complaint categories; external dispute-resolution cases; remediation amounts; recurrence following remediation	Complaint volumes require appropriate denominators and should be complemented by information on severity, causes, outcomes, and recurrence
Accessibility and vulnerability	Assess whether different consumer groups can effectively access products, information, services, claims, and remediation	Availability of alternative service channels; accessibility of digital processes; support for vulnerable consumers; abandonment rates in digital processes; accessibility-related complaints; consumer-understanding measures	Apparently efficient standardized processes may produce heterogeneous outcomes across consumer groups
Internal conduct governance	Evaluate whether governance arrangements identify, monitor, escalate, and correct conduct risks	Board reporting; conduct-risk appetite; remuneration links to customer outcomes; internal-control findings; frequency of product and conduct reviews; remediation follow-up; resources allocated to key functions; time from identification to corrective action	Formal policies should be distinguished from evidence that governance mechanisms operate effectively in practice

Source: Author's own work

The six dimensions are deliberately interconnected. For example, a rise in early cancellations may originate in product design, distribution incentives, inadequate consumer understanding, or a combination of these factors. Similarly, a high level of claims-related complaints may reflect operational weaknesses in claims handling, unclear product terms, inappropriate expectations created during distribution, or an external event generating unusually large claims volumes. Indicators should consequently be interpreted as components of a system rather than as independent performance measures.

4.2. From Raw Indicators to Comparable Conduct Measures

A central requirement of the proposed framework is the use of appropriate denominators. Absolute numbers are rarely sufficient for meaningful comparisons across insurers. A company with a large portfolio can generate more complaints or claims than a smaller competitor even when the incidence of adverse outcomes is lower.

Complaint indicators, for example, can be expressed relative to the number of active policies, insured persons, or reported claims (ASF, 2020):

$$\textit{Complaint rate} = \textit{Number of complaints} / \textit{Relevant exposure} \times k$$

where k represents a scaling factor such as 1,000 or 10,000. For claims-related complaints, the number of reported or settled claims may provide a more informative denominator than the total number of insurance contracts.

Similar normalization is required elsewhere in the framework. Litigation can be related to the number of claims; early cancellations to new contracts; sanctions to the relevant volume of business; and remediation amounts to premiums or claims. The choice of denominator should correspond to the underlying process being evaluated.

Comparability also requires segmentation. Conduct indicators should, where data permit, be calculated separately by insurance line, product, distribution channel, and relevant customer category. Comparing an insurer specializing in motor third-party liability with an insurer predominantly offering life products on the basis of unadjusted complaint volumes would provide little meaningful information. Even within the same insurer, aggregate figures can conceal concentrated problems affecting a particular product or channel.

Time is another important dimension. A single annual observation may reflect an exceptional event rather than a persistent conduct weakness. Monitoring should therefore distinguish temporary shocks from recurring patterns and examine both levels and changes in indicators. Persistent deterioration across several periods or simultaneous deterioration across related indicators is likely to provide a stronger conduct signal than an isolated observation.

4.3. Interpreting Complaints as Conduct Signals

Complaints deserve particular attention because they are among the most visible measures of consumer dissatisfaction and are frequently available to insurers and supervisory authorities. Nevertheless, they should not be treated as a direct or complete measure of conduct quality.

First, the propensity to complain differs across consumers. Awareness of complaint mechanisms, financial literacy, expected benefits from complaining, digital access, and confidence in the resolution process can influence whether an unfavorable experience becomes an observed complaint. Low complaint volumes can therefore coexist with consumer detriment.

Second, complaint frequency can be affected by the characteristics of the underlying insurance product. Products generating frequent interactions or claims naturally create more opportunities for disagreement than products with limited customer contact. This is especially relevant in the Romanian market given the importance of motor insurance.

Third, complaint severity and outcome matter. A large number of minor service complaints may represent a different conduct profile from a smaller number of complaints

involving substantial financial harm, systematic mis-selling, or inappropriate denial of contractual benefits. Monitoring should therefore consider the nature of complaints, whether they are upheld, the financial consequences for consumers, and whether similar problems recur.

Finally, complaints should generate organizational learning. Repeated complaints concerning the same product, intermediary, exclusion, claims process, or digital interface can provide information about underlying weaknesses. Effective conduct governance requires a progression from signal identification → root-cause analysis → corrective action → remediation → verification of effectiveness.

Complaint handling should consequently be evaluated not only according to whether individual complaints are answered within the required period but also according to whether the organization identifies and corrects the processes responsible for recurring problems.

4.4. Claims Indicators and the Romanian Market

Claims-related indicators are particularly relevant in Romania because of the substantial role of non-life and motor insurance. Claims represent the stage at which the economic value of insurance becomes most visible to policyholders and third-party claimants, while the volume and complexity of claims can also materially affect insurer performance.

A conduct dashboard should therefore include several claims dimensions rather than a single claims ratio. Potential measures include average settlement time, the distribution rather than only the mean of settlement times, rejection rates, reopened claims, disputed claims, litigation, claims-related complaints, and differences between initial and final compensation amounts where such information is available.

Interpretation nevertheless requires caution. A high rejection rate may indicate inappropriate claims practices, but it may also reflect fraud, coverage characteristics, or portfolio composition. Rapid settlement can improve customer outcomes, but settlement speed should not become an objective that weakens appropriate claims verification. Similarly, a high claims ratio may benefit policyholders through greater payments relative to premiums but may also indicate inadequate pricing and threaten the sustainability of the insurer if persistent.

The relevant supervisory question is therefore not whether individual claims indicators are mechanically high or low, but whether the combination of claims outcomes is consistent with contractual obligations, fair treatment, operational effectiveness, and sustainable underwriting.

The Romanian evidence discussed in Section 3 reinforces the usefulness of monitoring claims dynamics over time. The substantial volume of non-life claims and the concentration of activity in motor insurance create an environment in which claims data can provide relatively frequent signals of changes in consumer outcomes. Claims-related indicators could therefore constitute an important component of conduct-based supervisory prioritization in Romania.

4.5. Internal Governance as a Leading Dimension

Most observable consumer indicators are generated after an underlying decision or process has already affected policyholders. Complaints, litigation, cancellations, and

remediation are therefore primarily lagging indicators. A comprehensive monitoring framework should complement them with leading indicators capable of identifying emerging conduct risks before substantial consumer detriment occurs.

Internal conduct governance provides such a dimension. Relevant information includes whether boards receive regular conduct reporting, whether conduct risk is incorporated into risk appetite, whether commercial remuneration includes customer-outcome measures, whether control functions can effectively challenge business decisions, and whether identified weaknesses generate timely corrective action.

A particularly useful measure is the time required for an organization to progress from identification of a material conduct signal to investigation, decision, remediation, and verification. Repeated delays at any stage can indicate governance weaknesses even before substantial external complaints or sanctions become visible.

Remuneration deserves specific consideration because incentive systems connect organizational objectives with individual behavior. Sales incentives based exclusively on volume may create risks that are not captured by traditional prudential indicators. Incorporating measures such as persistency, product suitability, complaint outcomes, or confirmed conduct failures into remuneration arrangements can potentially improve the alignment between commercial objectives and customer outcomes.

The purpose of the governance dimension is not to reward the formal existence of policies or committees. An insurer could score highly on documentary compliance while continuing to generate unfavorable consumer outcomes. Evidence of implementation and effectiveness should therefore receive greater weight than the existence of formal arrangements alone.

4.6. Toward an Insurance Conduct Quality Index

Where consistent data become available, the six-dimensional framework could be operationalized through an Insurance Conduct Quality Index (ICQI). The purpose of such an index would be to summarize multiple conduct signals while retaining sufficient disaggregation to identify the sources of deterioration.

A general representation can be written as:

$$ICQI_{it} = \Sigma\, w_j\, S_{ijt}$$

where $\mathbf{S_{ijt}}$ represents the standardized score of insurer *i* for conduct dimension *j* at time *t*, and $\mathbf{w_j}$ represents the weight assigned to that dimension.

A practical implementation could express the resulting score on a 0–100 scale, where higher values represent stronger conduct outcomes. However, the choice of weights should not be regarded as universal. The relative importance of individual dimensions may differ between life and non-life insurance and between product categories. Claims handling, for example, may warrant greater emphasis in high-frequency non-life business, while product governance, persistency, costs, and value for money may be particularly important for long-duration life and investment-related products.

For this reason, the present paper does not estimate the ICQI or prescribe a definitive weighting structure. The index is proposed as an operational extension of the conceptual framework rather than as an empirically validated measure. Its implementation would require harmonized insurer-level data, consistent definitions, appropriate treatment of

missing observations, normalization by exposure, and testing of alternative weighting and aggregation methods.

An important design principle is that the aggregate score should never replace the underlying indicators. Two insurers can obtain similar composite scores while presenting substantially different conduct profiles. Supervisory or managerial use should therefore combine the overall score with a dimensional dashboard.

This approach is consistent with the broader use of structured multidimensional assessment frameworks in insurance. Recent research has, for example, proposed scoring approaches for evaluating governance and sustainability-related disclosure practices across insurers (Mohd Zain & Hassan, 2026). The present framework applies the multidimensional principle specifically to insurer conduct and consumer outcomes.

4.7. A Conduct Dashboard for Supervisory and Managerial Use

For practical purposes, the proposed architecture can be translated into a dashboard combining level, trend, benchmark, and escalation information for each conduct dimension.

At minimum, the dashboard should answer four questions:

1. What is happening? The current level of the relevant indicator.
2. Is the situation changing? The direction and magnitude of change relative to previous periods.
3. Is the outcome unusual? Comparison with the insurer's own historical experience and, where appropriate, with comparable insurers or products.
4. What action followed? Investigation, root-cause analysis, remediation, product review, governance escalation, or other corrective measures.

Indicators can subsequently be grouped into a simple risk classification, such as normal monitoring, increased attention, and priority review. Such classifications should trigger investigation rather than automatic conclusions regarding misconduct.

The dashboard could also connect conduct information with prudential and financial indicators. A simultaneous deterioration in claims disputes, complaints, cancellations, combined ratio, and solvency indicators may warrant different supervisory attention from an isolated temporary increase in complaints. Conversely, strong solvency and profitability should not automatically offset evidence of persistent consumer detriment.

This integrated perspective is particularly relevant for risk-based supervision because conduct problems and prudential problems can interact without being identical. Combining the two information sets can improve prioritisation while preserving the distinct objectives of financial soundness and consumer protection.

4.8. Limitations and Data Requirements

The proposed framework is subject to several limitations. Most importantly, effective implementation depends on the availability of sufficiently granular and harmonised data. Publicly available Romanian insurance statistics provide substantial information on premiums, claims, market structure, and prudential conditions, but considerably less standardized information is publicly available for several conduct dimensions at insurer and product level.

A full implementation would require consistent data on complaints and their outcomes, claims-processing times, rejected and reopened claims, cancellations and persistency, distribution channels and remuneration, remediation, litigation, product reviews, vulnerable-consumer outcomes, and internal governance processes. Definitions would need to remain stable across insurers and over time.

Data quality can also be affected by strategic behaviour. Once an indicator becomes a supervisory target or a public ranking criterion, organizations may have incentives to optimize the reported measure rather than the underlying consumer outcome. For example, excessive reliance on complaint volumes could unintentionally encourage barriers to complaint submission or changes in classification practices. A multidimensional framework reduces, but does not eliminate, this risk.

Finally, the proposed ICQI should be regarded as a monitoring instrument rather than a causal model. A deterioration in the index can identify areas requiring investigation but cannot by itself establish why consumer outcomes changed or whether insurer conduct was the causal factor. External shocks, changes in portfolio composition, regulatory interventions, and market-wide developments must also be considered.

These limitations reinforce rather than weaken the case for multidimensional monitoring. The objective is not to reduce insurer conduct to a mechanically calculated score, but to organize heterogeneous information in a manner that supports comparison, early identification of emerging problems, root-cause analysis, and proportionate supervisory and managerial responses.

Conclusions

This paper has examined insurer conduct as a link between internal governance, consumer protection, and sustainable performance, with particular reference to the Romanian insurance market. The central argument is that conduct should not be regarded exclusively as a compliance issue or as a collection of isolated customer-service indicators. It reflects a broader organizational process through which governance arrangements, incentives, product decisions, distribution practices, claims management, and complaint handling are translated into outcomes for consumers and, potentially, into longer-term economic consequences for insurers.

The literature reviewed in this paper supports several elements of this relationship. Service quality and customer experience are associated with satisfaction, trust, purchasing decisions, and loyalty, while governance and incentive structures can influence insurer risk-taking, operational decisions, and financial performance. At the same time, these relationships are not mechanical. Customer retention may reflect satisfaction and trust, but it may also result from inertia and limited consumer attention. Digitalization can facilitate access and improve service delivery, but its benefits depend on usability and consumer characteristics. Similarly, governance structures can support performance and effective conduct, but their effects vary across institutional settings and organizational characteristics.

These considerations are particularly relevant to Romania. The domestic insurance market remains predominantly oriented toward non-life insurance, with motor-related business accounting for a substantial proportion of activity. As a result, claims handling represents a particularly visible component of the consumer experience. At the same time,

the comparatively limited penetration of insurance and the still developing role of non-bank institutional investors suggest that greater confidence in insurance institutions could have implications extending beyond individual insurer–policyholder relationships. The development of long-term insurance activity can contribute to the accumulation of financial assets and, under appropriate conditions, to the broader process of financial intermediation.

The analysis also suggests that financial soundness and consumer protection should be regarded as complementary rather than competing dimensions of sustainable insurance activity. Strong solvency and profitability provide insurers with the capacity to honour commitments, withstand adverse shocks, and invest in operational infrastructure. They do not, however, guarantee favorable consumer outcomes. Conversely, consumer-protection measures may generate immediate implementation and monitoring costs, but some of these expenditures can be interpreted as investments in the quality and sustainability of customer relationships. Better product governance, clearer distribution practices, effective claims processes, and early remediation may reduce subsequent errors, disputes, cancellations, litigation, and reputational costs.

A practical implication is that insurer conduct should be monitored through multiple indicators rather than through complaint volumes alone. The framework proposed in this paper identifies six complementary dimensions: product governance and value for money, sales and distribution, claims handling, complaints and remediation, accessibility and vulnerability, and internal conduct governance. These dimensions cover different stages of the insurance relationship and distinguish, to some extent, between organizational drivers, operational processes, and observed consumer outcomes.

Complaints remain an important source of information, but their interpretation requires appropriate denominators and contextual information. Absolute complaint numbers can primarily reflect portfolio size, product characteristics, or differences in consumers' propensity to report problems. Complaint rates should therefore be related to relevant exposures, such as policies or claims, and supplemented with information on severity, outcomes, recurrence, and root causes. The same principle applies to claims, cancellations, litigation, and other conduct indicators.

For insurers, the principal managerial implication is the need to connect information that is often dispersed across organizational functions. Product governance, sales, claims, complaints, cancellations, customer retention, and financial performance should not be monitored as entirely separate information sets. A conduct dashboard can instead identify whether adverse signals are concentrated in particular products, channels, processes, or customer groups and whether they are temporary or persistent. Such an approach can also improve the distinction between isolated operational incidents and weaknesses that require broader intervention.

The role of internal governance is particularly important in this respect. Boards and senior management require information that allows them to identify emerging conduct risks rather than merely review problems after they have materialised. Conduct considerations can consequently be incorporated into risk appetite, internal reporting, product review, and remuneration arrangements. Commercial incentives should not be assessed exclusively according to the volume of business generated but also in relation to the

quality and persistence of the resulting business and the consumer outcomes associated with it.

Complaint and claims information can also be used more effectively as an organizational learning mechanism. The objective of complaint management should extend beyond responding within prescribed deadlines. Recurrent problems should generate root-cause analysis and, where appropriate, changes in product design, distribution, communication, claims procedures, or customer support. The relevant sequence is therefore not completed when a complaint is closed, but when the underlying problem has been identified, corrective action has been implemented, and its effectiveness has subsequently been assessed.

For supervisory authorities, a multidimensional framework can complement conventional prudential monitoring and support risk-based prioritization. Conduct indicators can help identify products, firms, or market segments requiring additional attention, particularly when several signals deteriorate simultaneously. In the Romanian context, the substantial importance of motor insurance makes the joint monitoring of claims, complaints, litigation, settlement practices, and relevant financial indicators especially useful.

However, conduct indicators should function as signals for further analysis rather than as automatic evidence of misconduct. External shocks, changes in claims severity, portfolio composition, regulation, or competitive conditions may affect individual indicators independently of insurer behaviour. Supervisory interpretation therefore requires both benchmarking and contextual analysis.

The same caution applies to the publication or ranking of conduct indicators. Transparency can strengthen market discipline and facilitate consumer comparison, but excessive reliance on a small number of public metrics can create incentives to optimize reported indicators rather than underlying consumer outcomes. A system based exclusively on complaint numbers, for example, could encourage changes in classification or create unintended incentives concerning the accessibility of complaint channels. A multidimensional approach, clear definitions, appropriate denominators, and periodic review of the monitoring methodology can reduce such risks.

The Insurance Conduct Quality Index proposed in this paper should be understood within this context. The ICQI is not presented as an empirically validated ranking of Romanian insurers but as a possible future operationalization of the multidimensional framework. Constructing such an index would require harmonized insurer- and product-level information, stable definitions, appropriate normalization, and empirical assessment of alternative aggregation and weighting procedures. The underlying dimensional indicators would remain essential even if an aggregate index were developed.

The main limitation of the present analysis follows directly from current data availability. Public Romanian insurance statistics provide substantial information on premiums, claims, market structure, and prudential conditions, but several variables required for a comprehensive assessment of conduct are not consistently available at insurer and product level. Consequently, the paper develops a conceptual and descriptive framework rather than attempting to estimate causal relationships between conduct and insurer performance.

This limitation also identifies a natural direction for future research. More granular data on complaints, claims-processing times, rejected and reopened claims, cancellations and

persistency, distribution arrangements, remuneration, remediation, product reviews, and governance processes would permit the proposed framework to be empirically implemented. Future research could then examine whether individual conduct dimensions predict subsequent changes in customer behaviour or financial performance, whether these relationships differ between life and non-life insurance, and whether combinations of conduct and prudential indicators provide useful early-warning information.

Overall, the analysis suggests that insurer conduct is best understood as part of the broader architecture of insurance governance and sustainable performance. Consumer protection concerns how products are designed and sold, but also what happens when consumers claim, complain, renew, cancel, or require assistance. From this perspective, effective conduct management involves identifying adverse outcomes, understanding their causes, correcting the underlying processes, and incorporating the resulting information into organizational decision-making. For an insurance market such as Romania's, strengthening this connection between governance, consumer outcomes, and financial sustainability can support both the quality of insurance intermediation and confidence in the sector.

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