What Drives High-Quality Insurance Advice? An Analysis of Intermediary and Contextual Factors[1]

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Abstract

Unsuitable insurance advice can turn protection into a costly mismatch, but the determinants of high-quality recommendations remain insufficiently understood. This paper uses survey data from 4,827 insurance intermediaries across 13 European countries to investigate the factors associated with insurance advice quality. Using a vignette-based design, we analyse advice quality in standardised client scenarios based on the accuracy of the initial product recommendation and the alignment of product rankings with a normative benchmark. Our findings suggest that professional training increases the quality of advice in simple insurance advisory scenarios, but not in complex scenarios. The use of digital tools is associated with higher-quality advice mainly when combined with higher levels of education, indicating that digitalisation may complement, rather than substitute for professional expertise. Furthermore, self-confidence and signalling, do not necessarily associate with higher advice quality, particularly in more demanding advisory scenarios. Overall, the results show that the determinants of insurance advice quality are context-dependent and vary with the complexity of the advisory task.

Keywords: *insurance intermediation, financial advice, service quality, survey*

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Introduction

As financial decision-making becomes more individualised, consumers are increasingly required to make complex financial decisions that have long-term consequences for their financial security. For the average consumer, life insurance, pension planning and complex non-life products are difficult to compare, even when relevant information is available. Professional insurance advice should play a central role in helping consumer choice and reducing information asymmetry. However, mis-selling, unsuitable recommendations and consumer harm remain widespread in insurance.

The increase in complaints about inappropriate and misleading advice highlights a systemic problem that threatens individuals' financial security and undermines confidence in financial advisory services (AFCA, 2025). The severity and pervasive nature of these issues are reflected by the numerous documented cases of mis-selling. In 2019, the European Consumer Organisation summarised numerous mis-selling scandals that caused financial losses for consumers in Europe.[2] These issues point to the need to better understand what factors are associated with the quality of insurance advice and with intermediaries' ability to provide sound recommendations. Given the essential role of insurance in protecting households from financial losses related to unforeseen risks, the implications of inadequate advice can also have broader socio-economic consequences, extending beyond individual loss. A loss of trust in advisers and insurance institutions can contribute to market instability and reduce consumer engagement, potentially increasing exposure to uninsured risks (The Guardian, 2024).

The prior research in this area is limited. Existing studies can be grouped into three streams, linking advice quality to intermediary competence, incentives, behavioural biases, and institutional context.

A first stream of the literature focuses on intermediary competence and professional characteristics as drivers of advisory quality. Eckardt (2007) and Eckardt and Räthke-Döppner (2010) investigate the service quality provided by insurance intermediaries using survey data from 927 German exclusive agents, independent agents, and brokers, aiming to understand performance differences in a shifting market characterised by the rise of multichannel distribution strategies. The results show that independent intermediaries provide higher-quality information and achieve better contract conclusion rates than exclusive agents. However, exclusive agents offer significantly more additional services, suggesting a trade-off in service dimensions. Particularly, the length of consultations with clients is the strongest

[2] The report and the map of the cases with their specifications updated to December 2022 are available at: <https://www.thepriceofbadadvice.eu/>.

predictor of service quality and economic performance, while the effect of formal education and training is insignificant. Similarly, d'Astous, Gemmo, and Michaud (2024) explore how financial planners formulate client recommendations and how personal and professional characteristics influence advice quality. Using an artefactual field experiment with over 1,000 certified planners in Canada, the authors presented randomized vignettes across four financial domains, including retirement savings, decumulation, long-term care, and investment. While planners generally responded appropriately to economic incentives such as tax benefits and interest rates, the study revealed a strong presence of product familiarity bias. Planners were more likely to recommend financial products they personally owned, their spouses held, or those they were licensed to sell, even when alternatives were objectively superior. Planners with personal debt were less inclined to recommend debt repayment, and those licensed to sell mutual funds more frequently recommended them, despite financial inferiority. This is supported also by Foerster, Linnainmaa, Melzer and Previtero (2017) who show that financial advice is strongly shaped by adviser-specific patterns and is not always fully adapted to client needs and characteristics

A second stream highlights the role of incentives, relational dynamics, and behavioural influences in shaping advisory outcomes. Angelova and Regner (2013) examine how payment structures influence advice truthfulness in a laboratory advisor-client game. They compare voluntary versus obligatory payments, including combinations of upfront payments and post-advice bonuses, to study how these affect adviser honesty under asymmetric information. Their findings show that truthful advice is more likely when clients have opportunities to reciprocate, particularly in a three-stage structure combining upfront voluntary payments with potential bonuses. Moreover, the magnitude of the voluntary payment positively correlates with advice quality, suggesting that relational factors such as trust, reciprocity, and guilt aversion can effectively mitigate adviser moral hazard. This evidence underscores that beyond formal incentives, social-psychological dynamics play a crucial role in advice behaviour. Agnew et al. (2018) provide further evidence that the quality of financial advice cannot be understood solely through the objective content of recommendations. Using an incentivized experiment on online financial advice, they show that consumers' willingness to follow advice depends strongly on first impressions and the order in which good and bad advice is received. Their results suggest that judgments about adviser quality may be influenced by behavioural biases and confirmation effects, highlighting a potential distinction between perceived adviser quality and the objective quality of recommendations. In line with these results, Anagol, Cole and Sarkar (2017) show that in the case of term life and whole life insurance products, agents often prioritise

the prior beliefs of uninformed consumers, even when those beliefs are incorrect, and appear to focus more on the amount of premiums paid than on the level of insurance coverage needed by the client. Similarly, Mullainathan, Noeth and Schoar (2012), using an audit-study design, show that financial advisers often fail to correct clients' investment mistakes and may even reinforce biases such as return chasing or insufficient diversification.

A further stream of the literature points to the importance of information environments and institutional context. Agnew et al. (2018) also show that the information environment in which advice is received affects consumers' evaluation of adviser quality and their willingness to follow advice. Eckardt and Räthke-Döppner (2010) prove that specialization, particularly in customer segments and old-age insurance, is associated with better service in some dimensions, while formal education, training, and firm size have limited or no explanatory power. More broadly, Bhattacharya et al. (2012) show that the mere availability of unbiased financial advice is not sufficient to improve investor outcomes. Investors who most needed advice were the least likely to obtain it, while those who did receive it often did not substantially adjust their portfolios. Chalmers and Reuter (2020) similarly show that the welfare effect of financial advice depends not only on its bias, but also on the client's counterfactual portfolio and the surrounding institutional setting. Their findings suggest that even conflicted advice may improve outcomes relative to no advice, while still exposing clients to higher-fee and potentially less suitable products.

In general, the literature suggests that advice quality depend on a combination of intermediary competence, behavioural and relational factors, and the institutional and informational setting in which recommendations are made. At the same time, there is limited consensus on the role of these factors on the quality of insurance advice. This lack of consensus is particularly important in insurance, where products are difficult for consumers to evaluate and where the suitability of advice may depend strongly on the complexity of the advisory situation.

Following this gap, we use vignette-based scenarios of life and non-life insurance to identify the correlates of insurance advice quality. This approach enables us to distinguish between straightforward and more cognitively demanding advisory settings, and to assess whether conventional predictors of advisory quality remain important as scenario complexity increases. In line with previous studies, we focus on understanding advice quality by examining three dimensions that could affect the quality of insurance advice: intermediary characteristics, the intermediary's working environment, and intermediary performance. To empirically test these dimensions, we use survey data from 4,827 insurance intermediaries across 13 European countries.

The results show that the factors influencing the quality of insurance advice vary depending on the complexity of the scenarios. While professional training has a positive effect on the quality of advice in simple life insurance scenarios, this effect disappears, and even turns negative in complex scenarios. Similarly, the effects of digital tools are mixed. Their use is associated with lower advice quality in some complex insurance scenarios, suggesting that digital tools do not uniformly improve recommendation quality across advisory contexts. In addition, self-confidence and signalling behaviour significantly reduce the accuracy of advice in complex non-life insurance, highlighting the risks of relying on subjective traits in demanding advisory contexts.

Our paper makes several contributions to the literature. Firstly, by applying a vignette-based measure of insurance advice quality, we assess advice quality more objectively than studies relying on customer satisfaction, trust, or product take-up. Our measure focuses on economic suitability, allowing us to identify advice aligned with the client's interests rather than perceived satisfaction. This distinction is particularly important as in case of insurance as a credence good. With this type of good it is difficult for clients to assess the quality of advice ex ante and also ex post. As a result, economically optimal advice may be more relevant for client welfare than subjective satisfaction alone. Secondly, the paper contributes to the limited literature on the determinants of advice quality in the insurance domain. While many studies examine the quality of advice in investment decisions, mortgage markets, and financial planning, relatively few focus specifically on insurance advice. This gap is important because insurance is a distinct type of financial service. It is particularly relevant for financially vulnerable households, who may have lower levels of financial literacy and a greater need for professional help in selecting suitable protection. Thirdly, our study goes beyond single-country evidence by providing cross-country empirical evidence from 4,827 insurance intermediaries across 13 European countries including the variation across different institutional and policy contexts. Fourth, our findings show that the determinants of advice quality are not stable across advisory contexts. This suggests that scenario complexity moderates the relationship between intermediary characteristics and advice quality. Finally, the paper shows that digital tools are not uniformly associated with better advice. Their positive association with advice quality appears mainly when combined with higher levels of education, suggesting that digital tools may complement rather than substitute for professional expertise.

The paper is structured as follows. In section 1, we describe the context of insurance intermediation in Europe. In section 2, we present the methodology. Section 3 discusses the results and the last section concludes.

1. Insurance Intermediation in Europe

Insurance intermediation represents an important segment of the European Union's financial services industry, playing a key role in the insurance infrastructure. In 2024, over 818,128 intermediaries were registered in European Economic Area (EIOPA, 2026). These include several insurance distribution models, such as tied agents, independent brokers, bancassurance channels, and digital and technology-enabled platforms. Tied agents work on behalf of a single insurer, independent brokers represent clients, and bancassurance involves banks selling insurance products. These models are not equally widespread. Bancassurance dominates in countries such as Italy, France and Portugal, while independent brokerage remains strong in Germany and the UK (Insurance Europe, 2022). However, the sector has undergone significant structural changes and intermediary numbers have declined countries particularly due to increased compliance burdens, ageing workforces and consolidation driven by digitalisation. Digitalisation has altered organisational structures and reshaped advisory practices by introducing algorithmic comparison tools, automated suitability checks and digital decision support systems.

The EU's primary legal framework for the governance of insurance intermediation represented the Insurance Distribution Directive (IDD), which came into effect in 2018 and replaced the earlier Insurance Mediation Directive (IMD). The IDD aims to improve consumer protection, standardise professional practices, and promote the internal market by aligning regulations across Member States. The IDD applies to all intermediaries, regardless of their business model, and it introduces standards for registration, financial conduct and professional qualifications (European Commission, 2016). Under the IDD, intermediaries must meet minimum standards of professional integrity and competence. This includes having a good reputation, being financially sound, and completing at least 15 hours of continuing professional development (CPD) each year. They must also maintain professional indemnity insurance and adhere to specific documentation and advisory standards. This includes conducting a demands-and-needs test and providing transparent information on remuneration and conflicts of interest, particularly for insurance-based investment products (EIOPA, 2026).

The directive remains largely technology-neutral, placing the primary emphasis on professional competence rather than on the integration of digital tools into the decision-making process. This setup does not specify how digital tools should be governed, validated and audited within the advisory process. Consequently, adopting tools may increase without ensuring that recommendations become more suitable, particularly for complex products where judgement, rather than checklists, is essential.

Although the European insurance intermediation market is characterised by substantial diversity in terms of structure, distribution channels, and institutional arrangements, the quality of advisory services remains a unifying concern across all Member States. High-quality intermediation builds trust, mitigates risks of mis-selling, and enhances the overall efficiency of the insurance market.

2. Methodology and Data

In the paper, we use data from self-administered survey on insurance intermediaries conducted in several European countries.[3] The survey was conducted between 16 January and 10 April 2025 online via Qualtrics Survey Platform. The countries were selected based on a dual-channel intermediation model, where insurance brokers and agents operate as distinct categories and the final sample included Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, France, Germany, Malta, Poland, Romania, Slovakia and Slovenia.[4]

In order to support the implementation of the research, contact was made with 29 insurance intermediary associations operating at both the European and national levels, many of which disseminated the questionnaire to their members. In addition, to outreach through professional associations, individual insurance intermediaries were directly contacted using publicly available email addresses listed on official websites of insurance and financial advisory firms. This strategy was intended to ensure broad geographic and institutional coverage and to capture variation across participating countries, rather than to construct a fully representative sample in a strict statistical sense. Inspired by GDV (2024), the data collection aimed to reach approximately 1% of registered intermediaries in each participating country as a benchmark for maintaining cross-country balance in the sample. Appendix 1 provides an overview of the sample by individual countries.

The questionnaire consisted of 48 questions with an average completion time of approximately 105 minutes.[5] The first section of the survey covered demographic background, financial literacy and formal education of insurance intermediary.

[3] To maximise understandability and the response rate, the questionnaire was translated into the seventeen official European languages. Translations were carefully validated by native speakers with academic backgrounds in economics or finance to ensure accuracy across all versions.

[4] Our initial intention was also included Hungary, Lithuania, Latvia, Sweden, and Portugal. Unfortunately, during the data collection, the insurers associations in these countries did not respond or cooperate.

[5] Although the questionnaire was relatively demanding, the distribution of completion times does not suggest significant delays or highly irregular response patterns. It is also important to note that our survey platform calculates the total duration from the initial start time to the final submission, including any periods of inactivity or interruptions. Therefore, reported durations such as 105 minutes do not accurately reflect the actual time spent completing the survey.

The second section presented respondents with a series of hypothetical client scenarios, asking them to evaluate and rank various recommendations from most to least appropriate. The third and fourth sections asked respondents to assess the quality of their own advice in comparison to that of their peers, and to reflect on the factors that shaped their decision-making. The final two sections examined self-perceived signalling behaviour in advisory interactions.

2.1. Measuring the Advice Quality of Insurance Intermediaries

To evaluate the advice quality in insurance, we used a vignette-based design. Each vignette presented a hypothetical client scenario. Intermediaries respond to four standardised scenarios, where two scenarios focused on life insurance and two on non-life insurance. Within each category, one scenario was simple, while the other was complex and required more tailored advice. The complexity of the vignette scenario refers to the cognitive demands of the advisory task rather than to product category alone. Simple versus complex scenarios vary according to the number of relevant decision attributes, the heterogeneity of client needs, the extent of product customisation and the difficulty of comparing trade-offs across alternatives. For example, complex non-life insurance scenarios involve a wider range of client needs, more policy dimensions, and more challenging trade-offs between different options than life insurance scenarios do.[6] The scenarios were shown to respondents in random order. These scenarios reflect real-life decision-making processes and assess how intermediaries adapt their recommendations based on complexity. In each scenario, the respondent has to order the proposed insurance products based on the utility for the hypothetical client from the one with the highest utility to the one with the lowest.

The normative benchmark is derived *ex ante* from the utility implications of each product option within a given vignette, using a standard expected-utility framework. For each scenario, this benchmark generates a reference ordering of products based on their suitability for the hypothetical client's stated needs and constraints. The same benchmark is applied to all respondents within the same vignette and serves as a consistent standard against which the quality of recommendations can be evaluated. This approach is consistent with the broader literature that evaluates financial advice by comparing recommended products with objectively superior or dominated alternatives, rather than relying solely on consumer satisfaction or ex post take-up (Egan, 2019). Theoretically predicted optimal order reflects the DRRA and CRRA utility functions.

[6] The hypothetical scenarios including the insurance products for simple life insurance scenario and complex non-life insurance scenario are available in Appendix 2 and 3.

To measure the quality of insurance advice, we use two measures. Firstly, we apply the *First optimal advice*, which represents the top-ranked recommendation for the insurance product in a hypothetical scenario, i.e. with the higher utility for consumer. This measure captures the nature of optimal financial advice. However, since this measure is limited and does not reflect the intermediary's evaluation of the remaining product options, we also apply *Ordinal optimal advice* to examine the ordinal similarity between the intermediary's ranking and the optimal utility ranking. This allows us to capture broader aspects of advice quality beyond the single top choice. To measure the correlation between respondents' orders and the optimal order of recommended products, we apply Kendall's tau (τ), a non-parametric rank correlation coefficient that quantifies the degree of ordinal association between two ranked variables. Specifically, it captures the extent to which the intermediary's ranking of insurance products aligns with the normative ranking based on expected utility. This method is particularly appropriate in advisory contexts, where the relative ordering of alternatives is more relevant than their absolute values. The coefficient is calculated using the following formula:

$$\tau = \frac{\left(C - D\right)}{\frac{1}{2}n\left(n-1\right)} \tag{1}$$

where C denotes the number of concordant pairs (i.e., product pairs ranked in the same order by both the intermediary and the normative benchmark), D is the number of discordant pairs, and n is the total number of products ranked. The value of τ ranges from -1 (complete disagreement) to $+1$ (perfect agreement), with higher values indicating stronger alignment between the intermediary's recommendation logic and the expected utility model.

2.2. Measuring the Correlates of the Quality of Insurance Advice

Following the literature, we identify the factors that could influence the advice quality of insurance intermediaries. The factors are categorised into three groups: (1) intermediary characteristics; (2) intermediary firm environment; (3) intermediary performance indicators. In addition to these correlates, we also measure the gender (*Male*) and level of education (*University education*) of our respondents. Measured variables in each category are explain in the Table 1.

For empirical analysis, we apply OLS regression and Logistic regression. To account for unobserved heterogeneity at the country level, data in the analysis are clustered on country level. We apply importance weights based on respondents' confidence in their own advice. After each vignette, respondents were asked to report their level of confidence in their recommendation using a five-point scale

ranging from "not at all confident" to "extremely confident". These self-assessed confidence levels are used to construct observation-level weights, with greater weight assigned to responses given with higher confidence. The underlying rationale is that self-assessed confidence may capture the extent to which respondents viewed their recommendations as considered rather than arbitrary. At the same time, confidence should not be interpreted as a direct proxy for competence, as highly confident responses may also reflect overconfidence. The weighting scheme is therefore used as a supplementary way of giving greater emphasis to responses provided with stronger subjective certainty, rather than as a definitive indicator of advice quality. Accordingly, the confidence-based weights are used as a sensitivity-oriented modelling choice rather than as a claim that more confident responses are necessarily more accurate. This approach is consistent with the literature linking confidence to metacognitive ability (Kleitman and Stankov, 2007).

T a b l e 1

Advice Quality Explanatory Variables

Category	Variable	Measurement
Intermediary characteristic	***Financial literacy***	Four questions measuring insurance financial literacy of respondents. Two questions are simple questions with the weight 1 and two question are difficult question with weight 2.
	Training	In hours per average month, including formal and informal education, (trainings, professional qualification and new information).
	Self-confidence	Measure using follow-up questions after providing insurance advice, where respondents compared their performance to that of other intermediaries to assess their self-perceived professional competence.
Intermediary firm environment	***Digital tools***	If they use digital tools in their work.[7]
	Firm size	Specify the firm's size based on the number of employees: 1 – 15, 16 – 50, 51 – 100, or more than 100 employees.
	Portfolio size	Number of current clients in portfolio in categories 1 – 50, 51 – 200, 201 – 500, 501 – 1,000, more than 1,000
	Roles	Allocate 100% of the intermediary's working time across the eight roles in accordance with the methodology by Stricker, Wagner and Zeier Röschmannal (2023). Number of roles in which insurance intermediary work at least 10% of working time.
Intermediary performance	***Experience***	Years of working as insurance intermediary.
	Signalling behaviour	Actions used to show others your self-perceived credibility, expertise or qualifications, especially when there's a lack of information. Eight statements related to signalling behaviour. Measured on the Likert scale.

Source: Authors.

[7] The exact wording in the survey includes the explanation of the term digital tools as follows: "By "digital applications", we mean software or platforms that assist in various aspects of the insurance process, such as client management, policy comparison, claims processing, underwriting, or customer communication. These could include CRM (Customer Relationship Management) systems, quote generation tools, claims management platforms, digital document storage, or any other technology solutions that help streamline the insurance advisory process."

3. Results and Discussion

Our sample consists of 4,827 insurance intermediaries and is relatively balanced in terms of gender, with 51.1% male responds. Overall, 38.6% of intermediaries have a university education and 14.3% are classified as having higher experience. The average financial literacy score is 2.98, respondents report an average of 20.6 units of training, and the use of digital tools is high, with 83.7% of intermediaries reporting that they use such tools. Detailed descriptive statistics are available in Table 2.

Regarding advice quality, our results indicate that insurance intermediaries perform better in simpler scenarios. As scenario complexity increases, both the accuracy of the first recommendation and the alignment of the full product ranking with the normative benchmark tend to decline. Table 2 suggests that both the share of correct *First optimal advice* and *Ordinal optimal advice* decline as scenario complexity increases, pointing to weaker decision quality in more demanding insurance contexts.

T a b l e 2

Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
First optimal advice					
Simple life insurance	4,827	0.529	0.499	0	1
Complex life insurance	4,827	0.314	0.464	0	1
Simple non-life insurance	4,827	0.522	0.500	0	1
Complex non-life insurance	4,827	0.495	0.500	0	1
Ordinal optimal advice					
Simple life insurance	4,827	0.306	0.560	–0.667	1
Complex life insurance	4,827	0.117	0.530	–0.867	0.733
Simple non-life insurance	4,827	0.357	0.506	–1	1
Complex non-life insurance	4,827	–0.042	0.665	–1	1
Factors					
Training	4,827	20.565	6.872	0	37
Financial literacy	4,827	2.983	1.576	0	6
Digital tools	4,827	0.837	0.369	0	1
Size of firm	4,827	2.147	1.208	1	4
Portfolio size > 1,000	4,827	0.100	0.300	0	1
Roles > 10%	4,827	1.872	0.565	1	6
Experience ≥ 25	4,827	0.143	0.350	0	1
Signalling behaviour	4,827	5.535	0.809	2.375	8.125
Male	4,827	0.511	0.500	0	1
University education	4,827	0.386	0.487	0	1

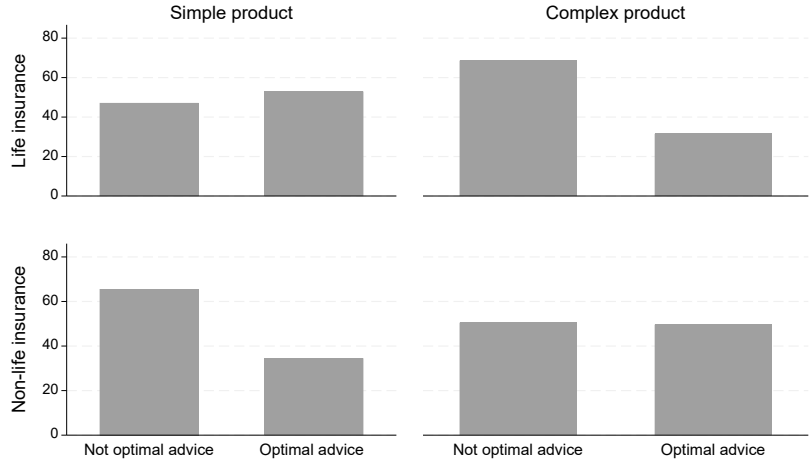
Source: Authors.

Figure 1 compares the proportion of optimal and non-optimal first recommendations across the four scenarios.

In the life insurance scenarios, our results indicate that the optimal advice is more often provided in simple scenarios. In this case intermediaries provide the correct initial recommendation in just over half of scenarios. Therefore, when scenarios and product structures are straightforward, intermediaries can generally identify the most suitable option, although this does not necessarily imply consistent quality across the full ranking of products. However, a decline in advice quality is observed in complex life insurance scenarios. The proportion of non-optimal recommendations is over 65%. In simple non-life insurance scenario, optimal advice is present is slightly more than half of responses. In complex non-life insurance scenarios, the distribution of optimal and non-optimal advice is more balanced.

F i g u r e 1

Percentage of Not Optimal and Optimal Advice in First Optimal Advice Measurement
(in percentages)



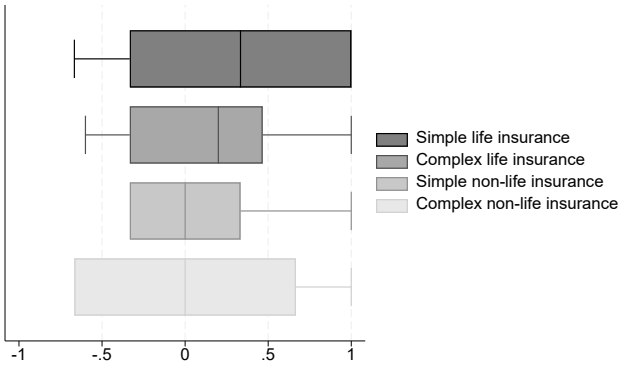
Source: Authors.

Figure 2 presents boxplots of the *Ordinal optimal advice* in all four scenarios. This distinction is particularly relevant for complex non-life insurance, where the relatively balanced first-choice results in Figure 1 are accompanied by weak overall ranking quality in Figure 2. The quality of advice appears strongest for simple life insurance scenarios, where the median is higher and positive and the interquartile range is narrow. This indicates closer alignment with the optimal product ranking. However, for complex life insurance scenarios, the median remains positive, but lower and the distribution is wider. This observation suggests higher variability in ranking quality as scenario complexity increases. For simple non-life insurance scenarios, the median is only slightly above zero, with a broader dispersion indicating inconsistent recommendation patterns. The weakest and

most dispersed results are observed in complex non-life insurance, where the median is close to zero and the range of values extends from negative to positive. This suggests that complex scenarios make both the first recommendation and the product ranking more difficult.

F i g u r e 2

The Distribution of Quality of Advice Measured by Kendall-Tau



Source: Authors.

Although the figures reveal differences in the quality of advice across different scenarios, a more systematic analysis is needed to identify the factors associated with for these differences. Table 3 presents the regression results for life insurance scenarios.

The regression results suggest that only a limited number of factors are systematically associated with advice quality in life insurance, and their effects differ by scenario complexity. *Training* appears to be the most consistent positive predictor in simple life insurance (Models 1 and 2), where it is positively associated with the probability of providing the optimal first recommendation (*First optimal advice*) and also with *Ordinal optimal advice*. In contrast, *Training* has no significant effect in complex life insurance (Models 4 and 5) and *Experience* ≥ 25 is negatively associated with both advice optimality measures in complex life insurance (Models 4 and 5). *Digital tools* are negatively associated with *Ordinal optimal advice* (Model 5), whereas the interaction *University education # Digital tools* is positive in simple insurance scenarios (Models 1 and 2). At the same time, *Firm size* shows a weak positive association with *First optimal advice* in complex life insurance (Model 4), suggesting that larger organisational settings may be associated with the better support in more complex advisory settings. In addition, the interaction *Portfolio size > 1,000 # Experience ≥ 25* is negatively associated with *Ordinal optimal advice* in simple life insurance (Model 2). By contrast, *Financial literacy*, *Self-confidence*, *Signalling behaviour*, *Male*, *Portfolio size > 1,000*, and

Roles > 10% do not show robust significant effects across the models. Overall, these results suggest that advice quality in life insurance is not consistently associated with isolated intermediary characteristics. Rather, the relevance of factors such as training, digital tools and firm size appears to depend on the complexity of the advisory scenario.

T a b l e 3

Regression Analysis of Life Insurance Scenarios

	Simple life insurance		**Complex life insurance**	
	First optimal advice	**Ordinal optimal advice**	**First optimal advice**	**Ordinal optimal advice**
	(1)	(2)	(4)	(5)
Training	0.013*** (0.003)	0.002* (0.001)	–0.001 (0.003)	–0.003+ (0.001)
Financial literacy	0.007 (0.020)	0.004 (0.004)	0.000 (0.032)	–0.004 (0.006)
Self-confidence	0.008 (0.061)	–0.004 (0.012)	0.013 (0.063)	0.004 (0.017)
Digital tools	–0.110 (0.119)	–0.033 (0.038)	–0.129 (0.092)	–0.058* (0.024)
Firm size	–0.024 (0.028)	–0.002 (0.004)	0.049+ (0.027)	–0.005 (0.005)
Portfolio size > 1,000	–0.144 (0.113)	–0.026 (0.027)	0.145+ (0.083)	–0.001 (0.021)
Roles > 10%	–0.042 (0.061)	–0.012 (0.020)	–0.108 (0.067)	–0.017 (0.022)
Experience ≥ 25	0.067 (0.073)	0.009 (0.025)	–0.195* (0.080)	–0.088*** (0.023)
Signalling behaviour	0.034 (0.042)	0.008 (0.014)	–0.068 (0.043)	–0.003 (0.008)
Male	0.022 (0.062)	0.007 (0.015)	0.004 (0.053)	0.000 (0.013)
University education	–0.638* (0.277)	–0.142+ (0.072)	–0.577 (0.510)	–0.083 (0.085)
University education # Digital tools	0.352* (0.142)	0.078* (0.036)	0.271 (0.248)	0.055 (0.048)
Portfolio size > 1,000 # Experience ≥ 25	–0.145 (0.138)	–0.085+ (0.045)	–0.042 (0.286)	0.123 (0.082)
Constant	–0.139 (0.310)	0.256* (0.093)	–0.143 (0.309)	0.300*** (0.082)
N	4,827	4,827	4,827	4,827

Notes: Models with *First optimal advice* as dependent variable are estimated using logistic regression models with *Ordinal optimal advice* are estimated using OLS. Coefficients in logit models are log-odds. Standard errors clustered on country level in parentheses. Importance weights based on respondents' confidence in their own advice were applied.

$^{+}p < 0.1$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$.

Source: Authors.

Table 4 presents the regression estimates for non-life insurance scenarios. Compared to life insurance, the results for non-life scenarios reveal a more fragmented and inconsistent pattern across models.

T a b l e 4

Regression Analysis of Non-Life Insurance Scenarios

	Simple non-life insurance		**Complex non-life insurance**	
	First optimal advice	**Ordinal optimal advice**	**First optimal advice**	**Ordinal optimal advice**
	(6)	(7)	(8)	(9)
Training	–0.001 (0.003)	–0.002* (0.001)	–0.002 (0.007)	–0.003+ (0.001)
Financial literacy	–0.035+ (0.020)	–0.017+ (0.008)	–0.008 (0.019)	–0.006 (0.007)
Self-confidence	–0.025 (0.082)	–0.003 (0.024)	–0.008 (0.052)	–0.061* (0.026)
Digital tools	0.003 (0.046)	0.007 (0.014)	–0.090 (0.067)	0.036 (0.021)
Firm size	0.003 (0.025)	–0.004 (0.004)	0.002 (0.033)	–0.004 (0.013)
Portfolio size > 1,000	–0.039 (0.072)	–0.036* (0.014)	–0.059 (0.079)	–0.034 (0.021)
Roles > 10%	–0.081* (0.041)	–0.011 (0.009)	–0.065 (0.062)	–0.017 (0.017)
Experience ≥ 25	–0.027 (0.089)	–0.033 (0.025)	0.126+ (0.076)	0.027 (0.042)
Signalling behaviour	0.007 (0.045)	0.013 (0.010)	–0.056*** (0.012)	–0.015 (0.019)
Male	0.048 (0.038)	0.008 (0.012)	0.029 (0.057)	–0.003 (0.018)
University education	–0.366* (0.147)	–0.032 (0.080)	–0.259 (0.169)	–0.038 (0.141)
University education # Digital tools	0.245* (0.105)	0.023 (0.045)	0.187* (0.095)	0.020 (0.076)
Portfolio size > 1,000 # Experience ≥ 25	0.390 (0.275)	0.167* (0.061)	–0.386+ (0.210)	–0.019 (0.082)
Constant	0.277 (0.289)	0.395*** (0.070)	0.474*** (0.133)	0.131 (0.076)
N	4,827	4,827	4,827	4,827

Notes: Models with *First optimal advice* as dependent variable are estimated using logistic regression models with *Ordinal optimal advice* are estimated using OLS. Coefficients in logit models are log-odds. Standard errors clustered on country level in parentheses. Importance weights based on respondents' confidence in their own advice were applied.

$^{+}$ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Source: Authors.

In simple non-life insurance, *Training* is not significantly associated with *First optimal advice* (Model 6), but is negatively associated with *Ordinal optimal advice* (Model 7). This suggests that additional training may be associated with the lower quality of product ranking in routine advisory contexts. *Financial literacy* also shows a weak negative association with both measures of advice quality (Models 6 and 7), indicating that general knowledge alone does not necessarily translate into more accurate or consistent recommendations. In complex non-life insurance scenarios, most explanatory variables remain statistically insignificant, indicating a high degree of variability in advisory performance. However, *Self-*

confidence is negatively associated with *Ordinal optimal advice* in Model 9, *Signalling behaviour* is negatively associated with *First optimal advice* in Model 8. These findings suggest that subjective confidence and professional self-presentation do not necessarily correspond to higher-quality advice in more demanding advisory contexts. Rather than serving as reliable indicators of recommendation quality, they may capture perceived competence that does not systematically align with the suitability of the recommended products. As with life insurance scenarios, *t*he interaction between *University education* and *Digital tools* is positive and significant in both simple and complex non-life insurance (Models 6 and 8). This pattern is consistent with the view that the association between education and advice quality may differ depending on whether digital tools are used. Finally, the interaction between *Portfolio size > 1,000* and *Experience ≥ 25* shows mixed effects. This suggests that extensive experience combined with a large client portfolio may be associated with better performance in routine contexts, while not necessarily supporting adaptability in more complex advisory situations.

Overall, our findings suggest that contextual complexity is associated with differences in how intermediary characteristics relate to advice quality. In line with Eckardt and Räthke-Döppner (2010), who show that the quality of insurance intermediary services depends strongly on intermediaries' information-gathering and processing activities rather than solely on distribution-channel characteristics, our results suggest that standard indicators of professional competence are not consistently associated with higher-quality advice in our data. Rather, their relevance appears to vary significantly depending on the advisory context. In simple scenarios, factors such as training and the combination of digital tools with higher education are more closely associated with alignment between recommendations and client needs. However, in more complex situations, traditional predictors such as training, experience, and self-confidence show weaker and less consistent associations. This is also consistent with the findings of d'Astous, Gemmo and Michaud (2024), who demonstrate that certified financial professionals do not necessarily provide objectively superior recommendations in more demanding decision environments. At the same time, our results are in line with Wagner's (2024) broader conclusions by showing that the effects of training, university education and digital tools on advice quality are highly context-dependent. The positive interaction between university education and the use of digital tools suggests that digitalisation may complement, rather than replace intermediary expertise. This interpretation is consistent with Namyslo, Jung and Sturm (2025), who emphasise that the effectiveness of digital advisory systems depends on their design, implementation and integration into the decision-making process, rather than on their mere availability. In our context, digital tools are associated with higher advice quality mainly when intermediaries have sufficient human capital to interpret and

apply their outputs appropriately. The negative or insignificant effects of self-confidence and signalling behaviour further suggest that perceived professionalism does not necessarily correspond to actual advisory quality. Our findings are related to those of Angelova and Regner (2013), who emphasise the role of behavioural and relational factors in shaping advisory outcomes. However, our results go further, indicating that some of these traits are not consistently associated with more suitable recommendations and may be negatively associated with advice quality in more complex advisory contexts. Instead, they point to the importance of the complexity of the advisory setting and the interaction between expertise, behaviour and technological support.

To ensure the stability of our results, we run a series of additional robustness checks. Specifically, we re-estimated all models without applying confidence-based importance weights as well as with country fixed effects. The robustness check that excludes confidence-based weights is particularly important, as these weights are not easy to interpret, since confidence can indicate either a more considered judgement or overconfidence. Across all robustness specifications, the main results remain qualitatively unchanged. Although some coefficients vary slightly in magnitude and statistical significance, the direction and interpretation of the key results are stable. This provides evidence that our findings may not driven by cross-country heterogeneity or by the applied weighting scheme.[8]

Conclusion

This paper investigates individual, organisational, and performance-related factors associated with the quality of insurance advice. We conducted a large-scale survey of 4,827 insurance intermediaries in 13 EU countries and employed a vignette-based design, which allowed us to assess advisory quality based on simulated client scenarios involving life and non-life insurance.

Overall, the associations between intermediary characteristics, firm environment, performance-related variables and advice quality appear to depend on the complexity of the advisory scenario. In simple advisory settings, indicators of professional capacity, particularly training, are associated with better advice quality. However, these associations weaken in more complex scenarios. Similarly, digital tools are associated with higher-quality advice mainly when combined with higher levels of education, while self-confidence, experience and signalling behaviour do not consistently correspond to objectively more suitable recommendations. These findings suggest that professional competence, technology use and advisory

[8] The detailed results are available upon demand.

behaviour should be understood as context-dependent rather than universally beneficial predictors of advice quality.

Our study is subject to several limitations. While vignette-based designs ensure comparability, they cannot fully capture real-world advisory conditions such as time pressure, repeated interactions, long-term relationships, or organisational constraints. As a result, our findings should be interpreted as evidence on advisory decision-making under standardised conditions rather than as a complete representation of real-life insurance intermediation. In addition, cultural and regulatory heterogeneity across countries, although accounted for through clustering, may still introduce unobserved variance, particularly with respect to national approaches to digital tools and supervisory practice. A further limitation is that our data capture whether intermediaries use digital tools, but not the specific design, functionality, validation or algorithmic quality of those tools. This distinction is important because recent robo-advisory research shows that the effectiveness of digital systems depends on their design requirements and implementation features, rather than on digitalisation per se (Namyslo, Jung and Sturm, 2025).

Future research should examine how these patterns evolve over time, especially given the ongoing changes in the use of digital tools and regulatory environments. Longitudinal studies could investigate whether suboptimal advisory behaviours persist, and whether interventions such as specialised training or decision support tools improve advice quality. Another important area for further research is examining human-technology complementarities in advisory settings, particularly how intermediaries learn to integrate algorithmic recommendations into complex, client-specific decision-making processes. Furthermore, incorporating consumer perspectives could enhance our understanding of how advice is received, interpreted and acted upon in real market conditions.

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Appendix

Appendix 1

Overview of the Number of Insurance Intermediaries in Selected European Union Countries and Survey Participation

Country	Total number of insurance intermediaries	1% sample size	Number of responses received	Response included[9]
Austria	13 814	138	168	133
Belgium	8784	87	100	88
Bulgaria	12 624	126	180	151
Czech Republic	35 267	352	354	338
Denmark	625	63	103	98
Estonia	423	43	79	63
France	71 163	712	812	751
Germany	179 011	1 790	1 759	1 638
Malta	710	71	74	74
Poland	12 141	121	341	304
Romania	50 950	510	638	577
Slovakia	20 585	206	452	410
Slovenia[10]	15 475	155	220	202
Total	***421 572***	***4 303***	***5 280***	***4 827***

Source: Based on Figures on insurance intermediaries in Europe in 2024 (BIPAR, 2024, p. 3) and data from Slovenia based on Country-by-country analysis.

[9] We excluded responses from individuals who indicated that they do not work as insurance intermediaries. Additionally, we removed those who did not report providing services related to insurance, as well as completed questionnaires with a response time of less than 10 minutes and more than 200 minutes, which were deemed unreliable.

[10] The BIPAR Report – Figures on insurance intermediaries in Europe, July 2024, does not include data on the number of insurance intermediaries in Slovenia. The present analysis has been informed by the report from EIOPA (2024) Country-by-Country Analysis – Slovenia, Annex IX to the Report on the application of the Insurance Distribution Directive (IDD), p. 3.

Appendix 2

Example of the Simple Life Insurance Vignette-Based Case Study

Anna, a 35-year-old business owner, is seeking life insurance coverage to secure her family's financial future. Married with two children aged 8 and 10, Anna's primary goals include protecting her family in the event of her untimely death, covering her mortgage to prevent financial strain on her loved ones, and ensuring funds are available for her children's education. Anna has a limited budget and is concerned about balancing affordability with adequate coverage.

Goals:

1. Family Protection: Ensure her family's financial stability if she passes away.
2. Mortgage Coverage: Clear her mortgage debt to reduce financial burdens.
3. Children's Education: Save for her children's future education costs.

Challenges:

1. Budget Constraints: Anna's limited budget requires balancing affordability with sufficient coverage.
2. Income Stability: As a business owner, her income fluctuates, potentially affecting her ability to maintain premium payments.

Anna is looking for a policy that:

- *Provides a death benefit sufficient to cover her mortgage and children's educational expenses.*
- *Offers longer-term coverage until her children are financially independent.*
- *Aligns with her budget constraints while maximizing value.*

Insurance product	***Monthly Premium***	***Death Benefit***	***Total premium Paid over 30 years***	***Cash Value Accumulation (over 20 years)***	***Key features***
Term Life Insurance (30-year term)	*€62*	*€400,000*	*€14,400 to €25,200*	*None*	*Fixed coverage for a specific period; ideal for short- to medium term needs.*
Whole Life Insurance	*€16*	*€300,000*	*€54,000 to €72,000*	*€50,000 to €70,000*	*Lifetime coverage with a fixed death benefit; cash value accumulates over time.*
Universal Life Insurance	*€128*	*€300,000 to €500,000*	*€36,000 to €54,000*	*€40,000 to €60,000*	*Flexible premium payments; cash value grows over time; offers long-term coverage with flexibility.*
Variable Universal Life Insurance (VUL)	*€171*	*€300,000 to €600,000*	*€43,200 to €64,800*	*€40,000 to €120,000*	*Combines life insurance with investment; cash value is market dependent.*

Appendix 3

Example of the Complex Non-Life Insurance Vignette-Based Scenario

Daniel, a 47-year-old IT consultant, is seeking advanced home and personal property insurance coverage. Daniel is married with two children (ages 14 and 16), and his family lives in a €1.2 million smart home equipped with IoT devices and solar panels. He occasionally rents out a guest room via Airbnb and stores high-value items such as artwork and musical instruments at home. Daniel also works partly from home and stores client data on a personal server. He wants a policy that offers broad protection not only for his home and belongings, but also includes liability coverage, protection against natural disasters, cyber risks, legal disputes, and coverage for short-term rentals.

Client Profile:

- *Home Type: Detached smart home*
- *Home Value: €1.2 million*
- *Mortgage: €800,000 remaining*
- *Insurance Needs: Advanced protection for his home, personal property (including high-value items), liability, short-term rentals, natural disasters (floods and earthquakes), and cyber risks.*
- *Additional Considerations: Legal coverage, remote work setup, IoT devices, and guest stays via Airbnb.*

Primary Concerns:

1. Protection of his property: Ensure his €1.2 million smart home and high-value belongings are insured against fire, theft, vandalism, cyber incidents, and natural disasters.

2. Liability coverage: Protection against accidents involving guests, short-term tenants, or work-related incidents.

3. Flexibility & risk-specific add-ons: Ability to customise protection for personal and professional use.

4. Affordability: Daniel is willing to pay a higher premium for adequate coverage, but wants good value for the price.

Insurance product	***Premium***	***Coverage***	***Key Features***	***Pros***	***Cons***
Standard Homeowners Insurance	*€750/year*	*Dwelling: Up to €1,000,000 Personal Property: Up to €100,000 Liability: Up to €500,000*	*Covers dwelling, personal property, and liability with broader limits; Natural disaster protection*	*Broader coverage, includes natural disaster protection*	*Higher premium than basic, may not cover high-value items without additional coverage*
Comprehensive Homeowners Insurance	*€1,200/year*	*Dwelling: Up to €1,500,000 Personal Property: Up to €300,000 Liability: Up to €1,000,000*	*Comprehensive coverage including natural disasters, flood, and earthquake protection, high value items, data loss*	*Extensive coverage for high-value homes, covers a broad range of risks*	*High premium, some add-ons (earthquake, flood) may require additional costs*
Homeowners Insurance with Add-ons	*€850/year*	*Dwelling: Up to €1,000,000 Personal Property: Up to €150,000 Liability: Up to €500,000 Flood (€150/year) Earthquake (€200/year)*	*Customisable policy with optional add-ons for flood, earthquake, and high-value items*	*Flexible, suitable for specific needs like high-risk*	*Add-ons increase overall premium, needs careful*
Basic Insurance with Add-ons	*€400/year*	*Dwelling: Up to €500,000 Personal Property: Up to €50,000 Liability: Up to €100,000*	*Basic protection for home, personal belongings, and liability; Covers fire, theft, and vandalism*	*Affordable premium, simple coverage, meets mortgage requirements*	*Limited coverage, no natural disaster protection*