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The Price of Delegating Decisions: Effects on Individual Responsibility and Future Decisions

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Decision delegation to professionals is supposed to lead to better outcomes for consumers. In practice, however, it can be a choice without awareness for the ones who delegate. This paper analyses consumers' awareness of their individual responsibility when delegating insurance decisions to professionals. Professionals often have to deal with conflicts of interests, in particular related to their remuneration, so the question arises whether consumers who delegate insurance decisions also consider themselves responsible for these decisions. None of the current policy proposals in the EU or Switzerland consider it necessary to raise consumers' awareness of who is responsible for a delegated insurance decision. Our results indicate that delegating insurance decisions impairs consumers' perception of individual responsibility and thus may trigger less learning effects for future decisions. The findings suggest that minimizing conflicts of interest through disclosure of price differences across distribution channels (online versus insurance advisors) can provoke a shift in channel usage as an unintended policy consequence. This research provides insights for further elaboration of the EU Insurance Distribution Directive proposal and similar regulations.