

Insurance Ireland Response on CBI Discussion Paper on Consumer Protection Code and the Digitalisation of Financial Services

Insurance Ireland welcomes the approach being undertaken by the Central Bank of Ireland (CBI) to gather industry feedback regarding the use of digital channels and the potential impacts to the Consumer Protection Code (CPC).

Broadly, we believe the CPC poses no major issues in relation to the application of technology at present, but some aspects of the Code could be updated to reflect the digital operating environment.

However, due to the nature and speed of legislative change versus technological change, the CBI may wish to consider a more principles- based approach, akin to the FCA Handbook, as less likely to become out of date and act as an impediment to technological advancements that are to the consumer benefit.

1. Are there evidence or examples of other relevant types of innovation in retail financial services, which are not already covered in this Discussion Paper? If so, please provide details.

- The Revenue Online System- ROS, operated by Revenue would be an instructive model as to how to operate financial services via an online platform.
- The work of organisations like Irish Remote Interpreting Services would be useful to consider when developing and facilitating accessibility requirements.
- Use of Big Data Technologies, smart contracts and telematics in the provision of financial services.
- Use of online portals for consumers to enable quicker and easier communication with a service provider.
- Use of Apps to conduct previously on-site engagement for example GP online services.
- Customer reliance on non-regulated advice such as reviews, blogs etc. should be addressed as it has a major impact for the distribution channel.
- Machine learning models to automatically assess the severity of damages and predict repair costs from historical data, sensors and images
- Insurance companies partnering with car manufacturers for autonomous cars
- Pay as you go insurance.
- Virtual reality for risk assessment and claims assessment.
- Portability – decision to extend or change cover based on circumstances evolving.
- The evolution of wearables to a much more sophisticated level, such as the development of digital pills / smart pills providing real time health assessments, as well as information regarding lifestyle choices.

2. Considering the Irish market, what innovations are more likely than others to develop and/or have the greatest impact on consumers? Please provide reasons for your answer.

- Telematics- already in progress in Ireland, being used extensively in the English market.
- Chatbots- impacts advice given to customers about financial products.
- The use of cloud data storage and associated security concerns
- Payments technology- this becomes more important with more mobile integration.

- Big Data analytics and data augmentation- impacts how we communicate to customers and what we store on them, how we rate them for risk etc.
- Internet of things, specifically in relation to smart home technology.

Benefits and Risks

3. Please outline any other potential benefits or risks for consumers that have not been captured in this section?

We believe the CBI assessment of the benefits is accurate. Specifically, we see benefits in reduced costs, increased convenience, accessibility, enhanced choice and above all the provision of more suitable and tailored products and services. The digital strategy of firms should be driven by consumer demand for enhanced and quicker online services in the first instance and, in tandem with parallel processes, to optimise back office operations including security IT, infrastructure and compliance.

Benefits:

- Better integration of technology with traditional sales processes that removes friction and misunderstanding to allow customer to be in a more informed position.
- Increased choice and access to advice channels.
- Quicker claims first notification of loss and tracking.
- Faster settlements.
- Better integration of technology with traditional sales processes that allow customers to be in a more informed position.
- Increased choice and access to advice channels.

Risk:

- Product and advice complexity - level of disclosure should be proportionate to how complex the product is and should also take into account level of consumer literacy both digitally and financially.
- . Consumers who have less familiarity with technology should not be at a disadvantage.
- The increase of digital solutions when advising a customer needs to take account of the fact that digital advice processes can become more problematic when complexity increases.
- Consumer reliance on non-regulated sources of advice including reviews and blog. Consumers should be alerted to the status of this advice if taken into consideration or CBI should seek to monitor these sources.
- : We would highlight the need for a level playing field in terms of regulatory obligations. There is potential for new entrants to avoid licensing and ongoing regulatory obligations designed to protect the consumer.
- Regulators and FSO need to keep pace with the exponential rate of change for technology solutions that may challenge capability and the application of regulations?

4. Considering the Irish market, what benefits and risks are likely to materialise and/or have the greatest impact on consumers? Please provide reasons for your answer.

Benefit:

- Firms will be able to tailor products and services for different segments and offer a better customer experience.

- Consumer could benefit from quicker and easier claims handling processes. Cost of claims could also be reduced.
- Claims handling could become a more customer-tailored process reflecting the unique nature of each claim.
- Increased digitalisation could enhance consumers ability to complain.
- Increased digitalisation could enhance consumers ability to compare.
- The consumer has more information about products/services due to increased access to reviews.

Risk:

- The most prevalent risk materialising is the increased level of regulatory disclosure required. The amount of pre-contractual documentation received by the consumer has significantly increased in the last number of years due to regulatory obligations implemented at a European level. This could overwhelm the consumer with overlapping pieces of information.
- The inability to talk to a human may lead to frustration and there may be a lack of relevant information.

5. If you have observed detriment caused to a consumer as a result of digitisation/financial innovation, please provide details and evidence of same.

Consumer Protection Framework

6. With reference to the potential risks and benefits for consumers in the area of access, do you consider consumers to be adequately protected in a more digitally enabled financial services environment? Where possible, please provide examples and/or evidence to support your answer.

We believe that customers are adequately protected in a more digitally enabled financial services environment due to the wide range of regulations already in place. However, some aspects of the Code could be updated to reflect the digital operating environment.

- Digitalisation may facilitate access to financial services where traditionally services would be conducted on a face to face basis with the advisor outlining options available and then presenting the customer with variety of documentation. Digitalisation may make it easier for people with communicative disabilities including hearing and sight impairments to gain access. Similarly, it may assist people with physical disabilities who might find it difficult to visit a branch. Digitalisation may help vulnerable customers as it may allow them to access the service from their own home with all the necessary supports available to them there.
- Digital advancements may allow insurers to provide multi-channel access, as opposed to replacing traditional channels completely or being the sole channel.
- In relation to vulnerable customers, special attention needs to be paid to ensure that those who for whatever reason are notable to deal other than in traditional ways are not prejudicial.
- Non-digital solutions will still be relevant e.g. to deal appropriately with unusual scenarios where there is no substitute for personal contact/support.
- Similarly, there are certain transactions which can be dealt with more efficiently by the customer over the phone. To require a consumer to go through extensive online steps

including providing supporting documents could prevent the insurer from helping the customer. Any updated Code should retain this flexibility to ensure the best outcome for the consumer is achieved.

- The EU Accessibility Act also sets out standards of access which would be useful to consider.
- 7. How could the consumer protections in the Code relating to access be enhanced? Please outline the reasons for your proposed enhancements.**
- 8. With reference to the potential risks and benefits for consumers in the area of provision of information, do you consider consumers to be adequately protected in a more digitally enabled financial services environment? Where possible, please provide examples and/or evidence to support your answer.**
- We would highlight the need to ensure that the definition of ‘durable medium’ is updated to reflect the operating environment in the digital world accounting for cloud storage, emails, mobile phone technology.
 - The issue of information overload is a major risk for consumers. This is an issue faced currently and will be exacerbated due to the many disclosure requirements set to come into effect over the next year, including the PRIIPs KID and the IDD IPID. Consumers need to be in a position to make an informed decision and this relies on clear, concise and effective disclosure. Consideration should be given to an integration of technology/ digitalisation which could inform consumers of the relevant information by way of traditional information, gamification, videos, visuals etc. The disclosure needs to be as scalable as the suitability obligations i.e. scaled according to complexity.
- 9. How could the consumer protections in the Code relating to the provision of information be enhanced? Please outline the reasons for your proposed enhancements.**
- With the growth of automated advice models, we agree with the CBI’s observations in the consultation paper that firms should be placing emphasis on the design of the digital journey as well as on the mandatory disclosures that are required under CPC, Solvency II, PRIIPS, IDD. Through a principles-based approach, we believe that the CPC could be updated to reflect this requirement. In terms of provision of information, CPC could be updated to reflect the ‘layering’ approach that is referred to in the consultation paper whereby the most important information should be provided upfront with clear sign-posting - otherwise there is a risk of information overload which could result in obscuring key information. The consultation paper acknowledges that there is a risk of increased difficulty in reading and understanding mandatory key information in a digital environment. Through the creation of the digital journey, technology can assist firms to deliver information in ways that encourage understanding and ultimately better consumer decisions.
 - Provision of information and disclosure requirements should be proportionate to how complex the product is and should also complement the consumer’s level of literacy both digitally and financially.
- 10. With reference to the potential risks and benefits to the consumer in the area of suitability, do you consider consumers to be adequately protected in a more digitally enabled financial services environment? Where possible, please provide examples and/or evidence to support your answer.**

- We believe that customers are adequately protected in a more digitally enabled financial services environment. In particular, big data and analytics will have a strong role to play in the development of suitability assessment, KYC procedures, underwriting, fraud risk management and product governance.
- Some of the potential risks suggested by the CBI are already protected against under existing/emerging requirements other than the CPC. For example, the EIOPA Product Oversight and Governance Guidance and Insurance Distribution Directive require firms to use a distribution channel that reflects the needs of the consumer and to develop products with due product oversight and governance. The CPC could reference these other sources of regulatory requirements.
- There is a risk that consumers place reliance on advice provided by unregulated individuals regarding the suitability of products e.g. advice from individuals through social media or forums, or blanket advice through blogs etc.

11. How could the consumer protection in the Code relating to suitability be enhanced? Please outline the reasons for your proposed enhancements.

- In general, we believe the current framework adequately protects the consumer.
- In terms of access and suitability, we would agree with the CBI observations in the consultation paper that it may not always be appropriate for a consumer to be able to purchase complex product in a 'one click' purchase and that consumers must be given enough time to consider their decisions prior to purchasing. However, the discussion paper could go further in considering developments and guidance that has been issued in other jurisdictions which would support the safe development of online delivery mechanism in the Irish market.

For example, the FCA in the UK has issued guidance to clarify the boundaries between different advice models, such as simplified, or automated advice following "confusion" about the existing requirements amid the growth of new automated advice models in the UK. While firms are clear on the requirements for full advice, they were struggling to navigate the options in between, such as simplified advice or limited advice services and sales without personal recommendations that involve guiding the customer in some way. For firms that offer 'execution-only business' their guidance also sets out the regulatory expectations in this area. In producing this guidance, the FCA has recognised the need for consumers to have access to appropriate, affordable advice and guidance at all stages of their lives and that automated advice models can help to drive efficiencies and quality advice more consistently. With individuals being increasingly tasked with making their own pensions and investment provision, automated advice can play a key role in generating low-cost solutions. The FCA also wants to ensure that they have innovation in the advisory market and new, lower-cost options available. Through the guidance, they have aimed to remove some of the barriers firms have identified to offering new, streamlined advisory products and believe that a healthy retail investment market is one in which there are a number of different distribution models to suit a broad range of investors.

- Whilst the obligations around knowing the consumer and suitability allow for proportionately in terms of complexity of the product/need, further guidance on scoped or scaled advice needs would be beneficial. Given technology focus on automating

advice/product needs, increased clarity on the parameters would help (for example - the Australian Regulatory ASIC's guidance on scoped/scaled advice).

12. With reference to the potential risks and benefits for consumers in the area of complaints, do you consider consumers to be adequately protected in a more digitally enabled financial services environment? Where possible, please provide examples and/or evidence to support your answer.

- We believe the current framework adequately protects the consumer.
- Regulatory arbitrage should be avoided. There is a need for a level playing field in terms of regulatory obligations. It should not be possible for new entrants to avoid licensing and ongoing regulatory obligations designed to protect the consumer.

13. How could the consumer protections in the Code relating to complaints be enhanced? Please outline the reasons for your proposed enhancements.

- We believe the current framework adequately protects the consumer.
- Reviewing the definition of durable media for complaints, so as to permit responses to be submitted via electronic channels. Definition around what constitutes a complaint that requires formal processing should be reassessed

14. With reference to the potential risks and benefits for consumers in the area of claims handling, do you consider consumers to be adequately protected in a more digitally enabled financial services environment? Where possible, please provide examples and/or evidence to support your answer.

- We believe the current framework adequately protects the consumer.
- In terms of the risks posed by straight through processes such as less human interaction, there will always be a need for preclusions and adequate thresholds to be built into the process and as well the need for such processes to be intelligent engagement based e.g. human touch points in cases of complex claims handling. Technical controls and solutions can be developed to meet the risks emerging from these technical advances whilst providing for positive customer experience and rigorous controls regarding the fair settlement of claims
- The purpose of straight through processes for example, is to make claims processing more efficient for consumers, it is not to take away human interaction, as human interaction will always have a place to ensure there is trust in the insurer and build loyalty.
- How Insurers deal with customers may have to change in the advent of autonomous vehicles becoming mainstream. There may be a move towards insuring the person as opposed to the car.
- Technological advances may increase claimants' access to information, updates etc., through additional channels, which is a distinct benefit to claimants.
- To minimise the risk of claims adjudication system rejecting claims due to poor configuration of rules it might be useful to have ongoing monitoring of outcomes.

15. How could the consumer protections in the Code relating to claims handling be enhanced? Please outline the reasons for your proposed enhancements.

- Digitalisation could facilitate the availability of additional support throughout the claims handling process to ensure a tailored experience for each customer therefore allowing the company to respond to the specific requirements under each claim.
- Digitalisation could also be used to allow for tracking of the status of a claim, in addition to being used as a communications channel.

16. With reference to the potential risks and benefits for consumers in the area of record keeping, do you consider consumers to be adequately protected in a more digitally enabled financial services environment? Where possible, please provide examples and/or evidence to support your answer.

- In relation to record keeping the major risk would be the security of data held. Cyber security is a paramount consideration and any development in financial service, including digitalisation, needs to address this consideration.
- A significant risk in relation to record keeping which the paper fails to address is the many different pieces of legislation which dictate different data retention periods, including time limits set out in CPC, AML legislation and the timeframe available to FSO to investigate a complaint. These differing requirements could impact negatively on data retention policy of companies making it less clear to consumers, ultimately how long data will be held for.
- The impact of digitalisation would need to be managed in relation to record keeping as it may cause the customer journey to become more fragmented.

17. How could the consumer protections in the Code relating to record keeping be enhanced? Please outline the reasons for your proposed enhancements.

- CPC should clarify the specific data retention periods for both personal and non-personal data to allow organisations to fulfil their obligations under data protection law and to ensure consumers are aware of how long organisations will hold their data. These specifications should also correspond to data retention requirements set out by courts.

18. Are there other areas of the Code, where the current protections should be enhanced or amended to address risks arising from digitalisation? If so, please:

- a) Set out the protections that you consider should be enhanced and why**
- b) Outline how those protections could be enhanced, including the reasons for your proposals.**

19. Are there other 'new risks' to consumer protection associated with technology/ innovation where additional specific requirements are needed in the Code (arising from actual or potential consumer detriment), for example, cybersecurity risks?

- New risks would include cyber security, increased data retention legislative requirements, cloud computing and customer engagement via online mediums.
- There is a need for a fraud prevention unit for insurance and there is a role here for Gardaí, courts and the OPDC with respect to fraud detection, mitigation and prosecution.

20. Given responsibility for the protection of consumer lies with regulated firms, how should the Code put greater obligations on firms to use innovative technologies in a positive way, to improve services and better protect consumers' best interests? Please provide specific suggestions of how this could be achieved.

- This is a commercial decision and should be at the discretion of each Financial Services Provider. Consumers can then choose a Financial Service Provider with technologies appropriate to their needs.

21. Should a principle be included in the Code that requires firms to design digital journeys in a manner that support consumers' decision-making and deliver good outcomes for consumers?

- The Code in itself does not impede firms from adopting technologies beneficial to customers but could be enhanced to ensure as much emphasis on the design of the digital journey as on the mandatory disclosures that are required under CPC, Solvency II, PRIIPS, IDD.

22. Are there any impediments in the Code that currently prevent firms from adopting technologies that may be beneficial to consumers? If so, please elaborate to explain how the Code could be amended to facilitate access to such benefits, without diluting existing consumer protections.

- In general, there are no impediments currently but there are areas which could be improved.
- The current CPC requirement to have certain touch points with the customer, within prescribed timeframes, creates a high frequency of contact with customers. However, using tools such as customer portals, and social media contact, as an alternative for consumers who wish to avail of such services, could drive more meaningful and useful communication and updates to the customer/claimant, and could be provided in real time. Also the current requirement to provide updates via letter or other durable medium may be an impediment to straight through processes, smart contracts, customer portals and cloud based storage etc., and consideration should be given whether the current requirements are in the best interests of the consumer.
- CPC does not appear to be written with Third Party Claimants in mind, rather it is written with policyholders claiming from their own policy in mind.
- The wording of the CPC itself could perhaps be more user friendly and clear.

23. In the context of the development of consumer protection policy related to innovative technologies, should the Central Bank be more innovative in its approach to stakeholder engagement? If so, what approaches should be considered and why?

- CBI should seek to engage more with stakeholders including the Financial Services Ombudsman, Revenue and the Data Protection Commissioner to ensure a consistent policy message from all stakeholders across all elements of the Code.
- Thought could be given to setting up a CBI portal for regulated firms, where firms would have restricted access to a confidential and secure personalised page. The portal could contain details on the firm's PRISM and CPRA ratings, which could be updated live after the determination of an inspection. All correspondence could be sent via and stored on the portal, to include inspection notices and information requests. Relevant alerts and information notices particular to an Industry could be automatically fed into the portal.
- Changes to existing codes and guidelines, could be track changed for ease of reference for the Industry and feedback statements could be provided by the Central Bank on foot of receipt and review of Industry's submissions to consultations and discussion points.

Answers to questions regarding interpretation etc, could be published publicly rather than addressed directly to the individual firms that raised the query.

- Use of videos in this Discussion Paper are welcomed. The CBI could employ this means of communication to summarise consultation papers or proposed changes to codes, regulations etc. Videos of speeches delivered by the CBI could be released instead of or alongside the transcripts currently provided.
- The CBI could provide views on new pieces of legislation to assist firms in digesting the vast quantities of legislative change emerging.
- The use of online forms/ surveys could be used by CBI to gather larger scale feedback, such as feedback to this Discussion Paper, to allow for greater analysis.
- The use of digital tools and surveys could assist the CBI's understanding of what is important to consumers.

We would support an increased role by CBI in RegTech. We believe the increased collaboration between the Regulator and industry in relation to digitalisation and compliance would achieve many benefits for both the consumer and industry. A more technologically engaged approach could allow companies to apply the Code in a more meaningful and integrated way.