



Irish Life

Irish Life Group welcomes the opportunity to participate in the discussion paper on the Consumer Protection Code and the Digitisation of Financial Services. Irish Life Group believes that this discussion paper is timely as the market has changed substantially since the first Consumer Protection Code was put in place in 2006. The use of technology by both consumers and companies over the intervening 11 years has increased exponentially and the future will only bring an increasingly fast pace of change. Both financial services providers and regulators must learn to adapt to the differing needs of consumers in this ever changing technological landscape while ensuring that consumers are adequately protected.

In 2006 when the Consumer Protection Code was first enacted the majority of financial services were provided either through branches, brokers or call centres and the vast majority of customer information was paper based. A significant number of consumers, and for some products the majority of customers, now access some or all information through digital means and increasingly are getting quotes and purchasing financial services without any direct human assistance. Similarly, many consumers are now choosing to receive the majority of their information digitally rather than via the post where the information can be readily accessed online rather than retaining hard copies. Currently, 75% of customers in Irish Life's Financial Planning division opt to receive their suitability statement digitally.

The Consumer Protection Code should be reassessed based on the changing preferences of consumers and revised to reflect the reality of how the markets now operate. In particular, the emphasis within the Code should be on optimising customer outcomes rather than prescribing customer journeys to achieve that outcome. Companies have sometimes struggled with the language of the Consumer Protection Code, which was drafted with a paper based world in mind that is no longer as suitable in a digital age. Language such as "giving", "durable medium" etc.....presuppose a paper based transaction and does not cater adequately for the ways in which consumers now choose to interact with financial service providers.

It is noted that the Discussion Paper does not encompass any data protection provisions or the forthcoming implementation of GDPR. However, GDPR will significantly impact all financial services and there are already provisions with the Consumer Protection Code which appear to conflict with data protection principles. One cohesive policy on financial services use of data across all financial services providers therefore would be welcomed.

This submission is made on behalf of Irish Life Group and encompasses both Irish Life Assurance and Irish Life Health. Where commentary is specific to a particular company this will be identified through the submission.

Digitalisation and the evolving financial services landscape

- 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.**
- 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.**

Innovations that reduce costs for consumers and market participants and that facilitate consumer engagement are those most likely to develop in the future. Disruptive technologies however have the potential to have a far reaching impacts on the functioning of the market, and by definition these will be difficult to predict.

Potential Risks and Benefits

- 3. Please outline any other potential benefits or risks for consumers that have not been captured in this section?**
- 4. Considering the Irish market, what benefits and risks do you think are most likely to materialise and/or have the greatest impact on consumers? Please provide reasons for your answer.**
- 5. If you have observed detriment caused to a consumer(s) as a result of digitalisation/financial innovation, please provide details and evidence of same.**

A number of the risks highlighted within the Discussion Paper apply equally to the current situation without any digitalisation and the risks as such should not be perceived as an increase to the current risk exposure that a consumer may now face.

However the benefits that can be realised for consumers by increased digitalisation can help ensure more tailored and positive outcomes for the customer through focussed and personalised understanding of an individual's needs. This level of customisation to help ensure the right customer outcome is not always realisable in a paper based world.

Consumer Protection Framework

Access:

- 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.**
- 7. How could the consumer protections in the Code relating to access be enhanced? Please outline the reasons for your proposed enhancements.**

It is believed that a more digitally enabled financial services markets should increase access and choice to financial services to a wider range of customers than those currently available. In addition, financial services can now be accessed conveniently by customers at a time that suits them and it is easier than ever to make comparisons across a number of services providers.

This anytime access is a significant benefit to customers who are working and cannot access financial service providers during their working day. Online websites can also present information in a number of ways that allow for easier understanding and comprehension by a range of customers who are more comfortable with mediums other than paper. Video and skype can replicate face-to-face more than the printed word, making it more accessible to all and a more effective way to communicate. Video and webchat can be much more personalised and impactful than paper communications.

In addition, there is a need to meet customers' rising expectations. There has been an increasing call to service providers to "build everything for mobile" as more and more customers move to mobile phones and tablets to access everything. Younger generations are increasingly only using mobile and do not engage via email but access more and more information via video rather than the printed word. Any changes therefore should allow for a variety of way to interact and provide information to the range of customers within the market.

Information

- 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.**
- 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.**

Information overload is of equal concern whether the information is provided digitally or on paper. Over the years regulation has strived to provide consumers with ever increasing amounts of information, before, during and after the purchase of a financial service. Disclosure requirements both nationally and through EU legislation have sought to better protect the consumer. While each piece of disclosure can be justified on its merit, the sheer volume of information now given to consumers is such that there is a real danger of information overload. Each piece of information provided to a consumer from all regulations, not just that under the auspices of the Central Bank, should to be re-assessed against the consumer outcome it is seeking to achieve. Insurance Europe has published an Insight Briefing¹ recommending that there be better rather than more information for consumers and highlighting the increase in information provision that has occurred in the past decade.

Currently the Insurance Distribution Directive imposing IPIDS and the PRIIPS regime in combination with the provisions of the Consumer Protection Code are producing duplication of information and leading to a point where we believe consumers are finding it difficult to find their key information. For example, within the health insurance market there are disclosure requirements both from the Central Bank and the Health Insurance Authority. In addition, in the health insurance market IPIDS are seeking to provide product specific information for comparison purposes. However suitability statements within the market are all generic at product level and could lead to similar if not identical information being provided. Both product suitability statements and the IPIDS are both summary information of tables of cover which sets out full benefit details which are also provided to members.

¹ <https://www.insuranceeurope.eu/sites/default/files/attachments/Insight%20briefing-Better%20information%20for%20consumers.pdf>

The digital medium allows for information to be provided in a variety of differing forms and can allow consumers to choose whether they wish to read, listen or watch to receive information. As such, rigid disclosure measures such as static warning boxes may no longer be suitable within a digital medium. Principles should be put in place to ensure that consumers are provided with important disclosures and information but how this should be achieved should not be prescriptive. The use of terminology such as “giving” and “durable medium” within the Consumer Protection Code leads firms to paper and PDF attachments on emails and these media are reducing in usage, popularity and also have high associated costs that have to be passed on to the customer, particularly when any customisation is needed. The language within the Code might therefore be reviewed with a view to expanding the range of mediums for the provision of information and allow video, mobile, infographics etc.. to be deemed to be an acceptable as a way to provide information to consumers.

Suitability

- 10. With reference to the potential risks and benefits for consumers 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.**
- 11. How could the consumers protections in the Code relating to suitability be enhanced? Please outline the reasons for your proposed enhancements.**

Suitability should be assessed based on the customer outcome rather than a prescribed customer journey. Online digital journeys can assess thousands of pieces of data in a more systematic and comprehensive manner than a human can possibly do and should therefore be able to provide more tailored advice on products that is individual to that person’s needs. While the customer outcome may be prescribed how this is reached should be flexible within the regulation, proper financial advice can be transmitted in a number of ways and should be dependent on the customer choice. Even if a majority continue to value the provision of advice from a personal financial advisor others may more readily prefer an online interaction, once the outcome for the customer is correct how this is achieved should not be rigidly set out.

The use of digital media would allow access to more information about customers so products can be more customised and potentially more suitable. At present a paper factfind is used that requires certain information to be assessed prior to recommending a product. Whereas a digital factfind may be able to have more customised automated trigger questions based on additional data from the customer. And if customers were able to update their information digitally, this could trigger whether the product is still suitable for them or if they need to review it, with prompts to do this on a regular basis. This might be more effective than the current position with financial advisors trying to contact and review customer needs.

Complaints

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

The prescriptive complaints model currently within the Consumer Protection Code should be adapted to a more digitally enabled world where complaints are received and could be responded to through a number of differing mediums. In addition, as customers increasingly make complaints via social media, further clarification on the definition of a complaint would be useful. It is suggested that the definition of complaint be clarified to an issue arising due to a product or service, rather than the broader expression of dissatisfaction which in a social media world could encompass anything.

The need to respond in a durable medium to keep customers up to date and informed in terms of the progress and outcomes of their complaints could be handled more effectively and quickly through the digital platform as opposed to written paper communications and should be at the choice of the consumer. The tracking of complaints is also greatly facilitated through digital means ensuring prompt and quicker communication with policyholders.

Claims Handling

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

The use of E-Claiming is being explored in the health insurance market between insurers and hospitals for the provision and assessment of hospital claims. While this will require more medical coding information and capital it should allow for quicker claims assessments, quicker payments to hospitals and a reduction in claims handling costs. E-claims have worked very successfully within other jurisdictions. It is in the interest of both insurers and consumers to ensure that there is proper claims assessment and supervision of claims continues regardless of what medium is used for claims assessment.

Record Keeping

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

The issue of record keeping should also come into play under GDPR legislation. Record keeping and secure management of structured digital data is key to GDPR. From a customer perspective a much more detailed record of their interactions with an organisation can be managed and retrieved through digital means.

Other General Questions for Discussion

- 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.**

As stated above the Code was envisioned largely with a paper based world in mind, and its language and content needs to be reassessed for a digital age. In particular, requirements to provide information in a durable medium should be reassessed.

- 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?**

Most of the risks set out within the Discussion paper are equally applicable in the current environment and companies have been able to successfully mitigate these risks for consumers. There is a risk of fraudulent access to digital data, however, most customer data is already digitally stored and subject to the same risk.

- 20. Given responsibility for the protection of consumers 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.**

The Code already imposes general principles in this regard across the market and across all activities. These general principles should be sufficient for the future without imposing specific obligations based on medium.

- 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 should ideally focus on customer outcomes rather than being prescriptive on what should be included within digital journeys. The digital means that one customer might prefer e.g. a video link, may vary significantly to that chosen by another e.g. an infographic. To prescribe one format for all presupposes that all consumers are similar and as such flexibility should be allowed. Any prescription could curtail innovation and reduce the capability for providers to create experiences bespoke to

individual needs. The focus of any principle applied in the Code should remain on achieving positive customer outcomes.

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.

The requirement to provide certain information in a durable medium can prevent firms from engaging with customers in their preferred manner. The requirements to provide information in a durable medium were established at a time when paper was prevalent, while technology now allows for a wide and varied means of communication. To presuppose that a durable medium is still the correct or right option for all consumers may no longer be valid.

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?

No comment.

Conclusion

The Irish Life vision is to 'help people build better futures' which encompasses helping customers plan for the future in a fashion that is easy and convenient for them to engage with their financial services provider. The experience to date has been that increased digitisation should make it easier and more accessible for customers to save for the future and protect themselves against risks. Irish Life hopes to meet its customers' expectations and help them build better futures in an omni-channel world and through any medium of their choice. Optimal customer outcomes need to be the core of regulation and once all required information has been provided how this is delivered should be irrelevant.