

## GFIA Comments on Draft Application Paper on Product Oversight in Inclusive Insurance

Section/Paragraph	
General	<p>GFIA appreciates the opportunity to comment. However, considering the importance of the subject of this paper, the broad scope of “inclusive insurance” (Paragraph 17) and the paper’s extensive discussion of potentially intrusive supervisory guidance, GFIA requests more opportunities for dialogue before this application paper is finalised. This is especially important considering the statement in Paragraph 4: “While the primary focus of this paper is on inclusive insurance markets some of the considerations and suggested approaches could be of interest outside the inclusive insurance space”.</p> <p>GFIA would further like to refer to the related ICP/ComFrame framework. All preliminary comments provided to this application paper will subject to further refinement, including the general comments that have been submitted on ICP 7 and that will be submitted on ICPs 18 and 19 as well as any upcoming consultations.</p>
Paragraph 4	<p>Paragraph 4 states that “the insurance industry may want to take note of this paper as it is expected to design products that are suitable for their target customers”. If the intention of the IAIS is to set conduct of business and product oversight standards (in addition to the ICP/ComFrame framework) that the industry is expected to directly comply with, sufficient consultation periods are necessary. As stated above, the last sentence “While the primary focus of this paper is on inclusive insurance markets some of the considerations and suggested approaches could be of interest outside the inclusive insurance space” should be deleted <b>unless the global community of insurers is given additional opportunities for dialogue with the supervisors before the application paper is finalised.</b></p>
Paragraphs 11 and 13	<p>The paragraphs stating that “regulatory requirements should not create excessive compliance costs thus make inclusive insurance products less affordable” and “without innovation many approaches to make insurance products affordable would not be possible” are critically important. They should be maintained and highlighted more due to the numerous paragraphs in the application paper that advocate for more intensive supervision.</p>
Paragraph 17	<p>Paragraph 17 states that “inclusive insurance and access to insurance are not issues limited to emerging markets and developing countries (...) They relate to all insurance products aimed at the excluded and underserved market, rather than just those aimed at the poor or a narrow conception of the low income market (...). Any type of insurer regardless of its size</p>

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	and legal form can contribute to the enhancement of access to insurance”. Although GFIA can only agree with these comments, they confirm the broad scope of the application paper. Again, GFIA requests more opportunities for dialogue before this application paper is finalised.
Paragraphs 19 to 22	GFIA agrees with the fact that one of the key answers to improving insurance access and coverage is financial education, upstream of and complementary to product oversight and governance.
Paragraph 28	Paragraph 28 stated that “products are expected to be simple but there may be increased risks to providing insurance to a vulnerable target market that is unfamiliar with insurance. As such, certain aspects of product oversight disclosures and transparency requirements also need to be greater”. As stated above, GFIA insists on the need to promote financial education, upstream of product oversight disclosures, and transparency requirements to make them truly effective with regards to the target market.
Paragraph 36	Paragraph 36 states that “in respect of coverage, proper product oversight in inclusive insurance should include defined and limited insurance cover with few if any exclusions”. Although GFIA understands and agrees with the necessity to provide any target market(s) with good value for money products, it does not seem appropriate to promote excessive standardisation of products, at the expense of contractual freedom.
Paragraphs 38	The following words between the parenthesis in the first sentence should be deleted: “i.e. the portion of premium is allocated to expenses and profits should not be excessive compared to the portion allocated to claims”. Insurers should take account of many factors in pricing so it is not appropriate to uniformly urge a specific pricing system in supervision, regardless of inclusive insurance or other insurance. Also, how “excessive” is defined is not clear.
Paragraph 39	As stated, GFIA does not view excessive product standardisation as necessarily the right way to improve insurance access and coverage. As such, the first sentence should be amended, for example, as: “a supervisor may specify requirements for product parameters or product features”.

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	Furthermore, as stated in Paragraph 53, prescriptive requirements on product features and standardised products may have negative outcomes.
Paragraphs 53 to 56	These paragraphs, which highlight the negative outcomes of prescriptive requirements on product features and standardised products are critically important. They should be maintained and highlighted more due to the many paragraphs of the application paper that advocate greater product standardisation.
Paragraph 60	In this paragraph and throughout the paper, “fair treatment of customers” is referenced but remains too subjective. “Fair treatment” is not defined (except indirectly in Paragraph 41 as “fair product terms and conditions for customers”) and should not be defined so as to go beyond the treatment required under applicable jurisdictional law for Boards, senior management or any other parts of an insurer.
Paragraph 61	The paragraph states that the “ultimate responsibility” for developing, monitoring and distributing inclusive insurance products lies with the Board and senior management. In some jurisdictions, the responsibility may be placed on one or the other, and that should be recognised in the paper.
Paragraphs 71 and 72	These paragraphs state that insurers are “ultimately responsible” for acts of third parties. This language needs to be modified to account for instances when, for example, a third party commits fraud or another illegal action unknown or unknowable to the Board and senior management.
Paragraph 80	The last sentence should be amended to read as follows: “Pursuant to ICP 20.6, the supervisor may disclose, or require the insurer to disclose, the loss (claim) ratio and the expense ratio for non-life insurers”. This change is requested because the scope of ICP 20.6.8 applies only to non-life insurers, but the scope of this paragraph also includes life insurers.

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Paragraph 110	Paragraph 110 insists on “keeping claims rejections minimal”. Although GFIA agrees with the need for smooth and efficient claims/complaints management processes, this sentence is overbroad as it interferes with insurers day to day management, and thus should be deleted.
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