GLOBAL FEDERATION OF INSURANCE ASSOCIATIONS

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GFIA comments on OECD draft recommendation on G20/OECD High-Level Principles on Financial Consumer Protection

Introduction

GFIA and its member associations much appreciate the opportunity to comment on the proposed revisions. In doing so, GFIA calls on the Organisation for Economic Co-operation and Development (OECD) to recognise that, among all financial sectors, the market conduct of insurers is already heavily regulated and supervised and that additional tools may not always be necessary.

Defining Supervision that Best Provides Financial Consumer Protection

The OECD should specifically add language that recognises that consumer protection is best achieved through supervision that allows and supports innovation, competition, cross-border trade in financial services, diversity of business models and that ultimately assures solvency, as well as standards and enforcement tools that prevent abuse. To provide an example from the OECD's work of such supervision, the document should reference the OECD's Policy Framework for Effective and Efficient Financial Regulation. This document should expressly endorse the fundamental principles of proportionality and appropriate confidentiality, and promote a regulatory and supervisory environment that supports competition, innovation, cross-border trade, and financial strength as fundamental elements of consumer protection.

General Themes

GFIA agrees that it is appropriate that these principles be revised in light of changes in the financial services sector over the last ten years including:

- Consumer protection practices and evolving and maturing regulation (including changes that occurred in light of recent COVID-19 impacts; and
- Changes in sales and servicing including the growth of sales and service through digital channels.

GFIA generally supports the three new proposed cross-cutting themes: 'digitalisation', 'sustainable finance' and 'financial well-being', and amendments to existing principles to refer to these matters.

In addition to the reasons stated above, these three themes appropriately engage with issues associated with climate-change impacts, consumer resilience, ESG matters and frame the nature of financial outcomes in appropriately broader terms.

GFIA has specific comments regarding the concept of "financial well-being". The OECD definition of "individual financial well-being" refers to "being in control, feeling secure and having freedom about one's own current and future financials, based on objective and subjective factors." Gaining a common understanding of this important term and understanding the expectations of financial product suppliers (as

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opposed to financial services providers) in contributing to the overall financial well-being and resilience of customers will be crucial to ensure the consistent application of this cross-cutting theme in support of the high-level principles and appropriately incorporated into policies and regulatory standards. GFIA is also concerned that the term is so subjective that a complete understanding of all its elements in an insurance context by all consumers is not always possible.

With regard to the general theme of “digitalisation,” not enough emphasis is provided in the document on the ability of artificial intelligence (AI) and machine learning (ML) to benefit consumers through more accurate pricing and underwriting, new products to better match consumer needs and fighting fraud.

Specific Principles

Under **principle 1**, the language should include a caution against being overly prescriptive and a statement that regulation and supervision should be proportionate to the insurance company and respect needed confidentiality.

Under **principle 2**, paragraph 8, it is not clear if the language is calling for oversight bodies of sectoral regulators/supervisors, such as insurance regulators. In some cases, such bodies exist, as in the EU, and in other cases they are multi-supervisory coordinating, not oversight bodies, as in the US. Furthermore, in other cases, such bodies may not even be necessary. If the language relates to the need for consumer protection bodies within insurance supervisory agencies, they can be independent in some jurisdictions or combined in others. A case can be made that, for insurance, the role of consumer protection and solvency regulation should not be separate, as they so closely affect each other.

GFIA supports the addition of **principle 3** on ‘Access and Inclusion’. However, GFIA takes the view that the text under this principle could be amended to also capture diversity, digital isolation, and capability issues (including those relating to ensuring appropriately informed consent is obtained when an individuals’ personal information is to be shared).

Relating to **principle 3**, it should be recognised that risk-based underwriting is critical to an insurer’s solvency, as well as providing signals about comparatively greater risk that must be addressed by the policyholder. Some risks may simply be too severe as to allow for cost-effective and sustainable insurance and therefore should not be covered, or if covered, it may be at an adequate price that may not be “affordable”. The paper should recognise this reality in the insurance sector.

Regarding **principle 4**, GFIA questions whether 'literacy' is the correct word and suggests that 'capability' be used instead, as this is more wide ranging. The same goes for other references to 'literacy', noting the shift away from this narrow way of framing such customer capability issues.

GFIA suggests that the high-level references to ‘vulnerable consumers’ throughout the document be amended to refer to ‘consumers in vulnerable circumstances’ or 'consumers experiencing vulnerability' to better reflect that nature of this vulnerability (eg this may be transitory). The proposed changes to paragraph

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15 **(principle 6)** accurately describes things. Looking forward, GFIA envisages that there may be a shift away from the use of ‘vulnerability’ terminology — given the potential stigma — to ‘extra care’.

For paragraph 18 **(under principle 7),** GFIA suggests that the paragraph be amended to read as follows: "...acknowledging the limits of disclosure with lengthy written materials alone in terms of ensuring consumer understanding and engagement." This better characterises the specific issue from a disclosure perspective.

For **principles 8 and 9,** reference should be made to intermediaries as appropriate because the term “financial service providers' representatives” does not capture independent agents of the consumer involved in sales and distribution (such as insurance brokers). This feedback also applies to the terminology under principles 3 and 7.

For paragraph 22, **under principle 8,** GFIA questions whether it is appropriate to narrowly refer to 'target markets' in assessing product/service suitability. This may lead to gaps/blind spots in assessment and insufficient regard to consumers who may use the product/service outside of the 'target market' or other factors which mean a product/service is inappropriate to an otherwise 'target market' consumer. GFIA suggests that reference be made to the circumstances and types of consumers products/services that may be suitable for in broader terms instead. The reference to 'target' groups in paragraph 12 (principle 4) should be similarly revisited.

Under **principle 9,** GFIA is concerned about the subjectivity of the concept of “culture” and fears that it could lead to subjective and/or contradictory supervisory direction.

Also under principle 9, paragraph 26, GFIA is concerned about the concept of “regular evaluation” and wonders how frequent the re-evaluations might occur, and the supervisory resources consumed that might be better used for other purposes. GFIA suggests that, once the access to the profession of financial services providers and representatives is subject to special conditions of continuous training and qualification, it does not appear necessary to enforce regular evaluation. Such an evaluation should be left to stakeholders’ discretion.

For **principle 10**, reference should be made to the role of public authorities in developing and implementing the relevant protections and controls themselves and providing insights to industry at a system level.

Conclusion

GFIA is pleased to provide these comments. GFIA and its member associations and companies work hard to provide the maximum degree of protection, financial security, value, service, competition, and innovation for consumers. There is also intense supervision of consumer protection in the insurance sector, so many of the concepts are already embedded in the supervision of (re)insurance. GFIA respectfully requests that key elements of effective and efficient regulation (which are also key elements of consumer protection) be added to the principles, based on prior OECD work, including proportionality, confidentiality, supporting competition, innovation and solvency and adopting the least burdensome approach to supervision and regulation.

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About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 43 member associations and 1 observer associations the interests of insurers and reinsurers in 66 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than $4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.