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To: Central Bank of Ireland codereview@centralbank.ie

From: Arachas Corporate Brokers Ltd

Consultation Paper on Consumer Protection

Arachas is one of Ireland's leading insurance intermediaries specialising in general insurance. We operate nationwide having offices throughout the Republic of Ireland, with over 700 employees supporting our customers and consumers. Arachas has a strong commitment to consumer protection. We believe that this revised CPC has the potential to have a positive impact on how intermediaries do business and to serve customers better. We would support and encourage a documented code for the insurance intermediary sector (which is classified as low risk on PRISM), similar to the Credit Union Handbook, targeted at the specific requirements for the sector.

It has been proposed that further standards and supporting standards for business will form part of the new requirements, however, it has not been possible to review these as they were not included in the consultation paper.

We hope that this feedback will be of benefit in bringing the revised code to the next phase and should you have any questions or if we can be of further assistance, please do not hesitate to contact us.

Feedback on CP158 Consultation Paper on the Consumer Protection Code

2.1 Obligation to Secure Customers' Interests

Q: Do you have any comments on the Securing Customers' Interests Standard for Business, Supporting Standards for Business or the draft Guidance on Securing Customers' Interests set out in Annex 5?

Feedback: The requirement and expectations set out in relation to securing customers' best interests are quite broad. We recommend guidance and expectations should be tailored to the type of FSP and the type of product. For example, there is a very different risk involved between a client investing significant sums of money (and possibly their life savings) in an investment product versus a client arranging a commodity product such as a private car/home/travel insurance policy.

2.2 Digitalisation

Q: Do you have any comments on the proposed Code enhancements with regard to digitalisation?

Feedback: We believe that slowing the system and introducing pause statements for consumers who wish to use the digital journey may not be in the best interests of all consumers, if the process takes longer and becomes too unwieldy. Warning statements and pause statements through the digital journey for commodity products such as car, home and travel insurance may cause unnecessary concern and could deter customers from utilising digital platforms to search for suitable products and/or to fulfil their orders online, preferring instead to engage in person or by phone. There may also be customers who delay or abandon their journey and do not secure their insurance in a timely way, leading to them being uninsured, which is not in anyone's best interests. For existing digital platforms there will be additional cost to implement the technical changes to CRM systems in order to comply with the proposed requirements.

2.3 Informing Effectively

Q: Do you have any comments on the 'informing effectively' proposals?

Feedback: We agree with the sentiment of having clearer and more effective disclosure of information to allow consumers to make an informed choice. However, this needs to be balanced with the overload of documentation currently issued to customers in relation to their insurance requirements. Product providers, insurers and product manufacturers should be required to simplify their documentation.

2.7 Protecting Consumers in Vulnerable Circumstances

Q: What are your views on the proposed amendments to the Consumer Protection Code in relation to consumers in vulnerable circumstances? Do you have any comments on the draft Guidance on Protecting Consumers in Vulnerable Circumstances?

Feedback: We agree with the change to the definition of "vulnerable customer" to "consumer in vulnerable circumstances". However, guidance in this area needs to be sector/industry specific and to be aligned with the ADMA (Assisted Decision-Making Capacity Act) in which the presumption of capacity is a cornerstone. At Arachas, we provide additional assistance to vulnerable customers, however, we do not recommend that the onus should be on brokers to record vulnerability and the nature of it on their systems. In order to ensure that vulnerable customers get what they require, with their specific needs in mind at that point in time, we think that vulnerability records may get outdated quickly, as circumstances change. This ultimately could lead to service degradation for those individuals. The policy admin systems (CRM) will need to be updated to allow consumers' vulnerability to be recorded, with their consent, which will result in additional expense, ongoing training and maintenance.

Q: Is the role of the trusted contact person clear? What more could a Trusted Contact Person do?

Feedback: This change is over and above the requirements of the ADMA. It may also create confusion for customers to determine and understand the difference between the ADMA and this new proposed requirement.

2.8 Climate Risk

Q: Recognising the role of EU consumer protections concerning climate and sustainability, do you have any comments on the proposed Code protections relating to climate?

Feedback: Industry specific guidance is required for product producers, manufacturers, and insurers with a requirement for them to specify their approach to sustainability. Currently there is little insight from general insurers in relation to their approach to sustainability.

Q: Do you agree with their approach to including sustainability preferences with existing suitability criteria? Have you any suggestions on how the Central Bank can ensure all suitability criteria, including those relating to financial circumstances and sustainability preferences, are given an appropriate level of consideration?

Feedback: We would suggest that this is mainly applicable to Investment/Life Insurance and undertakings to adapt underwriting and create new insurance products and services designed to support sustainability and communicate those changes to the insurance industry/market. Training will be required for staff, in discussing the sustainability preferences of the consumer, taking into account reasons for offering the product. The policy administration systems (CRM) will need to be developed and updated to capture additional questions and answers regarding sustainability to be recorded and will involve additional expense in system development, training, and ongoing maintenance.

3.3 Insurance

Q: Do you have any comments on the proposals to apply an explicit opt-in requirement for gadget, travel, dental and pet insurance only?

Feedback. We currently are required to comply with insurance requirements regulations which prescribes that customers are notified in advance of their renewal and given the option to opt out of automated renewals. For many customers, automated renewal is a benefit and ensures they have continued cover in place. Our view is that the current opt-out option is more appropriate for these products,

Q: Do you have any comments on the proposals to introduce an additional renewal notification for non-life insurance products?

Feedback: The current renewal regulations require that renewals are issued 20 working days in advance of renewal. Our view is this is adequate notice to allow customers to search for alternative options. It is currently not always possible to obtain quotations for

commodity products such as car and home insurance more than 1 month in advance of renewal. Contacting consumers' at least 40 working days prior to their renewal date may cause confusion and unnecessary queries which cannot be answered as renewal terms are typically not prepared or released by insurers that far in advance. Therefore, we believe that this proposed change is not in consumers' best interests and is not something we agree with.

3.5 Miscellaneous Requirements

Q: Do you have any comments on the proposed revised requirements for handling of errors or complaints?

Feedback: In our experience and interaction with customers, we believe an annual review of complaints and errors is sufficient for trend analysis. We agree with the removal of the 40-day requirement for notifying unresolved errors. Guidance should be provided to determine what constitutes a *significant error*. In relation to the definition of a complaint under the current code, we would suggest a review of the definition which is currently quite broad.

Q: Do you have any comments on the proposed changes to the record keeping requirements?

Feedback: This is at variance with the guidance from the DPC and should be aligned with the DPC.

Other Observations from review of the draft S.I.

- **Regulation 64 Terms of Business requirements:**

Guidance is required on what is considered a 'material change'.

Notice to be sent to consumer '*5 working days prior to the date the material change is effective*'. Our view is this will create another layer of documentation to be issued to the consumer, as they already receive the updated TOB at New Business and Renewal. With so much associated documentation, our concern would be that this may be confusing or overwhelming for the customer. This will incur an additional financial and climate cost which ultimately gets passed on to customers.

- **Regulation 112.1 (a) "Written Consent"**

We believe that there are conflicts in the various contacting/consent requirements e.g. customer consent must be received in order to contact customer yet express consent must be given regarding premium rebate requirements.

- **Regulation 123.1 "no later than 3 working days"**

The current 5-day requirement should remain. The requirements for acknowledging an instruction (3 days) and issuing documents (5 days) could

result in multiple communications within a short timeframe e.g. a renewal instruction is acknowledged (within 3 days) and policy documents issued 2 days later (within 5 days), with little actual benefit to the customer.

- **Regulation 127.1 (b)"at least 6 months notice"**

From the review document, it would seem that the intention was that this notice period be applied to the banking sector, however, the draft S.I. does not specify that. If this requirement applies to all FSPs we believe it would be disproportionate. This requirement is more relevant to the banking sector than the intermediary sector.

Arachas, as one of the country's largest nationwide insurance brokers, would be very concerned if it applied to the insurance industry and could indeed have a significantly negative impact on customers and employees in the sector. Over the past 4 years we have acquired and successfully assimilated a number of different insurance businesses throughout the country and with that experience, we would be deeply concerned if the period was extended from two months to six months.

While it is very understandable that customers who may need to change a banking provider will face significant disruption and need to invest time to make such a change, such a change would be disproportionate for an insurance policy. It is our belief that this would lead to potential confusion for the customer and is not needed.

As part of the current process for completing an acquisition, the customer is at the forefront of both the acquirer and the acquiree and communicating with them in a timely and responsible manner throughout the process is key to ensuring that they are informed and comfortable. Two months' notice is adequate for such a process and is working well.

Secondly, a six month window would be worrying for employees of the firm as it could lead to potential worry and a period of limbo for when they know change is coming but they are uncertain as to what that might mean. We have experience of dealing with approximately 500 employees who have joined our business over the past 5 years and our experience has taught us that widening this window would be unhelpful for employees and a source of worry.

In the recent findings of the **"Thematic Review of Compliance with the Minimum Competency Code and KYC/Suitability Provisions of the CPC"** it's been identified that *"good practices are more evident in larger firms"* and *"the volume and severity of risks and breaches identified were far greater in smaller, independent retail intermediaries."* Prolonging the period where smaller operators continue to run the business may present further risk to the consumer. If the provider is not being managed appropriately during the

six month period while notice has been issued, it could potentially cause more detriment to consumers. Having a shorter notice period is more advantageous to consumers of insurance intermediaries.

- **Regulation 340 - Consent for follow-up telephone calls for NB Insurance Quote/Renewal**

Customers are used to receiving follow-up phone calls, particularly in relation to renewal, and in a lot of cases rely on this phone call as a reminder. This is an important service, in particular for those that do not avail of digital services.

It is our experience that there are typically two types of customer when it comes to dealing with the renewal process and the paperwork. Those who get the paperwork, consider the contents and then action a renewal, either online or by direct phone call, and secondly those who get the paperwork and put off decisions until the deadline approaches.

Our interaction with customers shows that there are a number of customers who miss the deadline even after an attempt is made to contact them by phone call. We strongly believe that the phone call is helpful and welcomed by the customer and is a second reminder rather than perceived as an overly burdensome sales call.

We believe this change has the potential to result in consumer detriment and should not be implemented.