

Conduct of Business



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Insurance Core Principles

Most relevant to conduct of business are:

- ICP 19 Conduct of business
- ICP 18 Intermediaries

Currently working on:

- Revision of ICP 9 Supervisory Review and Reporting
- Application Paper on supervisory approaches to conduct of business



ICP 19 Conduct of Business

“The supervisor sets requirements for the conduct of insurance to ensure that customers are treated fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.”



ICP 19 Conduct of Business

- Applies to insurers, and for the most part also to intermediaries
- Requirements are outcome-focused and cover
 - Fair treatment of customers
 - Pre-sale processes
 - Policy servicing
- The material acknowledges differences in customers and products



ICP 19 Conduct of Business

Fair treatment of customers

- 19.1 Insurers and intermediaries to act with due skill, care and diligence
- 19.2 Insurers and intermediaries to embed policies & procedures on fair treatment in their business culture



ICP 19 Conduct of Business

Pre-sale processes

- 19.3 Insurers to take into account the interests of different types of customer in developing and marketing products
- 19.4 Insurers and intermediaries to promote products/services in a manner that is clear, fair and not misleading
- 19.5 Supervisor sets requirements on timing, delivery and content of information



ICP 19 Conduct of Business

Pre-sale processes

- 19.6 Where advice is given, this should be appropriate taking into account the customer's disclosed circumstances
- 19.7 Where advice is given, any potential conflicts of interest should be properly managed



ICP 19 Conduct of Business

Policy servicing

- 19.8 Insurers to
 - Service policies until all obligations have been satisfied
 - Disclose to customer any contractual changes
 - Disclose further relevant information, depending on type of product



ICP 19 Conduct of Business

Policy servicing

- 19.9 Insurers to have policies and process to handle claims in a timely and fair manner
- 19.10 Insurers and intermediaries to have policies and processes in place to handle complaints in a timely and fair manner



ICP 19 Conduct of Business

Policy servicing - *Privacy protection*

- 19.11 Legislation identified provisions under which personal information is collected and communicated to third parties
- 19.12 Insurers and intermediaries to have policies and procedures for the protection of private information



ICP 19 Conduct of Business

Supervisor

- 19.13 The supervisor discloses information that supports the fair treatment of customers



ICP 18 Intermediaries

“The supervisor sets and enforces requirements for the conduct of insurance intermediaries, to ensure that they conduct business in a professional and transparent manner.”



ICP 18 Intermediaries

- ICP 18 material focuses on activity of intermediation – a functional approach
- Takes into account:
 - Different types of intermediary
 - The nature of the business intermediated
 - Different types of customer
- Intermediaries are covered by most of the conduct requirements of ICP 19; ICP 18 deals with other aspects of intermediary supervision



ICP 18 Intermediaries

- Main areas covered:
 - Licensing (or equivalent)
 - Ongoing supervision
 - Appropriate professional knowledge, experience, integrity and competence
 - Appropriate corporate governance



ICP 18 Intermediaries

- Main areas covered:
 - Minimum disclosure requirements in respect of
 - Terms of business
 - Relationship with insurers with which they deal
 - Basis of remuneration if a potential conflict of interest exists
 - Client monies
 - Supervisory action



ICPs 18 & 19

- These cover a broad scope, ranging from
- Simple non-life insurance to complex or investment-related insurance
 - Unsophisticated customers to professional customers
 - A risk-based approach taking into account scale, nature and complexity
 - Focus on an outcome of fair treatment



Further work on Conduct of Business

- ICP 9 (Supervisory Review & Reporting) – being revised. Will be more balanced and include conduct aspects.
- Application Paper on approaches to supervision of conduct of business
The paper is expected to:
 - look at approaches and tools that achieve supervisory objectives.
 - support ICP 9, with reference to the requirements of ICP 19.



Supervision of Conduct of Business

- It may include:
 - Scope and purpose of conduct supervision
 - Framework for assessing risks and conduct
 - Reporting
 - Off-site monitoring
 - On-site inspection
 - Other supervisory tools

Work is at preliminary a stage. Scheduled for completion October 2013