

Application paper on fair treatment of a wide range of consumers

July 2025



About the IAIS

The International Association of Insurance supervisors (IAIS) is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions. The mission of the IAIS is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

Established in 1994, the IAIS is the international standard-setting body responsible for developing principles, standards and other supporting material for the supervision of the insurance sector and assisting in their implementation. The IAIS also provides a forum for members to share their experiences and understanding of insurance supervision and insurance markets.

The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators and assists in shaping financial systems globally. In particular, the IAIS is a member of the Financial Stability Board (FSB), member of the Standards Advisory Council of the International Accounting Standards Board (IASB), and partner in the Access to Insurance Initiative (A2ii). In recognition of its collective expertise, the IAIS also is routinely called upon by the G20 leaders and other international standard-setting bodies for input on insurance issues as well as on issues related to the regulation and supervision of the global financial sector.

For more information, please visit www.iais.org and follow us on LinkedIn: [IAIS – International Association of Insurance supervisors](#).

Application papers provide supporting material related to specific supervisory material (ICPs or ComFrame). They could be provided in circumstances where the practical application of principles and standards may vary or where their interpretation and implementation may pose challenges. Application papers do not include new requirements, but provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented. The proportionality principle applies to the content of application papers.

International Association of Insurance Supervisors
c/o Bank for International Settlements
CH-4002 Basel
Switzerland
Tel: +41 61 280 8090

This document was prepared by the Market Conduct Working Group in consultation with IAIS members.

This document is available on the IAIS website (www.iais.org).

© International Association of Insurance Supervisors (IAIS), 2025

All rights reserved. Brief excerpts may be reproduced or translated provided the source is stated.

Contents

Executive summary	4
1 Introduction	5
1.1 Context and objective	5
Box 1: Interpretation of key terms in this paper	6
1.2 Related work by the IAIS	7
1.3 Proportionality and jurisdictional specificities	8
1.4 Scope of this application paper	9
2 Risk-based pricing and insurer autonomy	9
2.1 Risk-based pricing	9
2.2 Insurers' and intermediaries' autonomy to decide the scope of its business	11
3 Consumers at higher risk of unfair treatment	12
3.1 Populations include a wide range of consumers	12
3.2 How unfair treatment arises	13
Box 2: Examples of consumers excluded from insurance products or encountering difficulties	14
4 Implementation of ICP 19 for fair treatment of a wide range of consumers	15
Graphic 1 How to implement ICP 19 to drive fair treatment of a wide range of consumers	16
4.1 Embedding fair treatment of a wide range of consumers into the business culture	17
Box 3: Unconscious biases and stereotypes	18
4.2 Product design that accounts for different types of consumers	19
4.2.1 Meeting the range of needs within the product's targeted group of consumers	20
Box 4: Considerations on technology and data	22
4.2.2 Designing appropriate product distribution methods	22
4.3 Securing appropriate sales and distribution to a wide range of consumers	23
4.3.1 Marketing communications and disclosures	23
4.3.2 Deploying the distribution strategy appropriately	24
Box 5: The human approach	25
4.3.3 Advice and suitability	25
4.4 After-sale servicing, product monitoring and review mechanisms that account for all types of customers	26
4.4.1 Communication and assistance	26
4.4.2 Product monitoring and review to detect and address unfair treatment	27
4.4.3 Claims procedures	29
4.4.4 Complaints procedures	29
4.5 Working towards greater access for a wide range of consumers across the insurance sector	30
4.5.1 Shaping the supervisory landscape	31
4.5.2 Facilitating market development	32
5 Conclusion	32

Executive summary

This application paper supports supervisors' implementation of Insurance Core Principle (ICP) 19 (Conduct of Business) to secure fair treatment for a wide range of consumers.

The expectation that insurers and intermediaries treat customers fairly from before a contract is entered into through to the point at which all obligations have been satisfied, is at the centre of conduct supervision and is an integral part of fostering trust and confidence in the insurance sector. Additionally, treating customers fairly, meeting consumers' needs and addressing protection gaps are key to insurance delivering its purpose of building societal resilience through risk management, pooling and diversification of risk.

This paper refers to customers and to consumers. Customer is a policyholder or prospective policyholder with whom an insurer or insurance intermediary interacts, whereas consumer has a more expansive meaning covering the universe of *potential* and *actual* customers for insurance products. The term consumers therefore also includes people in society who are typically uninsured, who are not progressing to the stage of interacting with insurers and/or intermediaries, or who are not typically thought about by insurers and/or intermediaries as potential customers to serve.

Consumers are not one homogenous group. A consumer population is composed of different types of people and their differing characteristics and circumstances contribute to them having differing needs and abilities when they interact with an insurer or intermediary. Some types of consumers may be at higher risk of unfair treatment and the paper gives examples of how unfair treatment can arise (section 3).

Insurers, intermediaries and supervisors can all play a critical role in removing barriers and ensuring that a wide range of consumers, not only those who fit within a more normative or mainstream customer profile, have access to the insurance products they need to protect themselves from risk of loss and are treated fairly in their interactions with the insurance sector.

Alongside that goal is recognition of the ongoing relevance of risk-based pricing and insurers' autonomy in defining their scope of business. Suggestions are offered on how both goals can coexist (section 2). For example, insurers can re-examine pricing or underwriting criteria for accurate risk correlation, strive to expand product ranges or modify existing exclusion clauses, and take measures to better cater to the accessibility needs, language preferences, literacy levels and challenges faced by customers they already serve.

The paper offers recommendations for how to establish fair treatment of a wide range of consumers as an integral part of the business culture and how to achieve it throughout the product lifecycle – spanning design, distribution, communications, advice, customer assistance, claims, complaints and product monitoring and review (sections 4.1 – 4.4). The recommendations focus on the standards of acting with due skill, care and diligence when dealing with customers (ICP 19.1), establishing and implementing policies and processes on fair treatment (ICP 19.2), and taking into account the interests of different types of consumers when developing and distributing insurance products (ICP 19.5).

Through their supervision of those aspects, and through their actions shaping the supervisory landscape and facilitating market development (section 4.5), supervisors can promote that the insurance sector remains accessible, fair and responsive to the needs of a wide range of consumers. This not only benefits individuals but also helps insurance to serve its societal purpose of building resilience.

1 Introduction

1.1 Context and objective

1. The expectation for fair treatment of customers is a well ingrained component of conduct supervision and is important for fostering trust and confidence in the insurance sector. Within the Insurance Core Principles (ICPs), it is embodied in ICP 19 (Conduct of Business) which says: “The supervisor requires that insurers and intermediaries, in their conduct of business, treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied”.
2. Effective discharge of this involves recognising that what will yield fair or unfair treatment for one type of customer may not be the same for another type of customer. Different factors may need to be considered and different actions taken with respect to consumers who are not part of a more normative or mainstream customer profile.¹ This underscores that the needs of all consumers should be considered, including consumers who may be underserved, disabled, of a different racial or cultural background, with other unique needs that distinguish them from a majority customer profile or who are experiencing vulnerability (see Section 3.1 for additional discussion).
3. This application paper, prepared by the IAIS’ Market Conduct Working Group (MCWG), provides guidance on how supervisors, insurers and intermediaries can interpret and fulfil existing requirements in ICP 19 to effectively implement the principle of fair treatment so that a wide range of consumers are experiencing fair treatment. The paper focuses principally on standards ICP 19.1, 19.12 and 19.5:
 - ICP 19.1: “The supervisor requires insurers and intermediaries to act with due skill, care and diligence when dealing with customers”
 - ICP 19.2: “The supervisor requires insurers and intermediaries to establish and implement policies and processes on the fair treatment of customers, as an integral part of their business culture”
 - ICP 19.5: “The supervisor requires insurers to take into account the interests of different types of consumers when developing and distributing insurance products”
4. This paper does not assert that supervisors, insurers or intermediaries must create new dedicated-purpose comprehensive frameworks or regimes specifically for fair treatment of a certain profile of consumer. Rather it seeks to expand recognition of the fact that any consumer population involves a wide range of people and that fair treatment of customers per ICP 19 involves striving to achieve fair treatment for all customers—not only those fitting within a normative or mainstream customer profile—by taking into account their varying needs, characteristics and circumstances.

¹ The terms “consumer” and “customer” are both used in this paper and are defined in Box 1. The definitions are from the IAIS Glossary. Both terms have relevance in this paper, depending on the context and intended meaning of the sentence. Consumer is broader as it covers *potential* customers in addition to *actual* customers. The term “consumers” can therefore connote people in society who are typically uninsured, not progressing to the stage of interacting with insurers/intermediaries and/or not typically thought about by insurers/intermediaries.

5. The application paper is structured as follows:
 - Section 1 establishes that considering the fair treatment of a wide range of consumers is relevant for supervisors, insurers and intermediaries;
 - Section 2 explains how the concepts of risk-based pricing and insurer autonomy are nonetheless preserved;
 - Section 3 discusses how unfair treatment of some consumers can arise based on examples of unfair treatment observed by IAIS members and insights from consumer groups, including past, current and future risks; and
 - Section 4 outlines recommendations on how to drive fair outcomes for a wide range of consumers using ICP 19.
6. Application papers provide guidance, they do not introduce new requirements.² Some guidance in this paper is expressed as recommendations directly derived from ICP 19 and identified as actions that “should” be taken or are “good practice”. Other guidance is expressed as suggestions (identified as actions that “may” be taken) in service of the aim of ICP 19, which is to promote fair consumer outcomes, strengthen trust and confidence, minimise reputational risk and create a level playing field in the insurance sector.³

Box 1: Interpretation of key terms in this paper

The IAIS offers the following interpretation of these terms, within the context of this application paper:

Consumers: The universe of actual and potential customers for insurance products.⁴

Customer: Policyholder or prospective policyholder with whom an insurer or insurance intermediary interacts, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy.⁵

Fair treatment: As described in ICP 19.0.2 and ICP 19.0.3, the fair treatment of customers encompasses concepts such as ethical behaviour, acting in good faith and the prohibition of abusive practices, and encompasses achieving outcomes such as:

- Developing, marketing and selling products in a way that pays due regard to the interests and needs of customers;

² Application Papers do not establish standards. Application Papers do not include new requirements, but provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented.

³ ICP 19.0.1 says: “Requirements for the conduct of insurance business help to:

- protect policyholders and promote fair consumer outcomes;
- strengthen public trust and consumer confidence in the insurance sector;
- minimise the risk of insurers and intermediaries following business models that are unsustainable or pose reputational risk, thereby complementing the risk management framework of a solvency regime; and
- support a sound and resilient insurance sector by creating level playing fields in terms of the basis on which insurers and intermediaries can compete while maintaining business practices that support the fair treatment of customers.”

⁴ [IAIS Glossary](#).

⁵ [IAIS Glossary](#).

- Providing customers with information before, during and after the point of sale that is accurate, clear, and not misleading;
- Minimising the risk of sales which are not appropriate to customers' interests and needs;
- Ensuring that any advice given is of a high quality;
- Dealing with customer claims, complaints and disputes in a fair and timely manner; and
- Protecting the privacy of information obtained from customers.

Vulnerable consumer: In some jurisdictions this term has been defined in financial services law or regulation. For this paper, a general illustrative interpretation is: a person who is especially susceptible to harm due to personal characteristics and/or external circumstances (or the combination) such that their risk of harm is elevated when a financial services entity fails to act, vis-à-vis that person, with the appropriate level of care, including considering the causes and extent of the person's vulnerability. See also paragraph 28.

Wide range of consumers: A consumer population composed of different types of people and their differing characteristics and circumstances which contributes to them having differing needs and abilities to be taken into account when they interact with an insurer or intermediary. See also section 3.1 and Box 2.

1.2 Related work by the IAIS

7. Other IAIS material addressing issues interlinked with this application paper include:

- [Application Paper on the supervision of artificial intelligence](#) (2025) which, amongst other aspects, considers fairness, ethics and the risk of detrimental impact to consumers arising from AI systems such as discrimination and reinforced societal biases. Before this, the [Issues Paper on the use of big data analytics in insurance](#) (2020) elaborated on issues of potential discrimination, bias and exclusion linked to the use of artificial intelligence (AI) and machine learning (ML);
- The [Issues Paper on insurer culture](#) (2021) explored the role of insurer culture, which informs decisions, behaviours and practices across an insurer's business, as a critical intersection point for managing prudential and conduct risks;
- The [Application Paper on supervising diversity, equity and inclusion- the governance, risk management and culture perspective](#) (2024) which focused on the supervision of institutional DEI in insurers and the link to their governance (ICP 7), risk management (ICP 8) and corporate culture;
- A [stocktake report](#) on actions IAIS member supervisors, other international organisations and the insurance industry are taking to advance diversity, equity and inclusion in the global insurance sector. The stocktake was the first step to inform subsequent IAIS work promoting greater awareness of diverse needs and fostering inclusion in the insurance industry; and additionally
- The IAIS is currently developing an updated version of an application paper originally published in 2012 on regulation and supervision supporting inclusive insurance markets.

1.3 Proportionality and jurisdictional specificities

8. Application papers should be read in the context of the proportionality principle, as described in the Introduction to the ICPs⁶: “Supervisors have the flexibility to tailor their implementation of supervisory requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards”. When reading the guidance, illustrations, recommendations or examples of good practice provided in this application paper, it is important to keep proportionality in mind.
9. As described in the Introduction to the ICPs, proportionality allows the ICPs to be translated into a jurisdiction’s supervisory framework in a manner appropriate to its legal structure, market conditions and consumers. Proportionality also allows the supervisor to increase or decrease the intensity of supervision according to the risks, and to use a variety of supervisory techniques and practices which are tailored to the insurer and which do not go beyond what is necessary in order to achieve their purpose.
10. In particular, supervisors’ expectations of the actions insurers and intermediaries take to achieve the outcome of fair treatment of a wide range of consumers may be informed by the size, location and nature of the insurer or intermediary in question.
11. Related to proportionality, and as outlined under ICP 19.0.3, it is important to note that: “Conduct of business, including business practices, is closely linked with jurisdictions’ tradition, culture, legal regime and the degree of development of the insurance sector. For this reason, supervisory approaches to the conduct of business also tend to vary. Such diversity should be taken into consideration in implementing this ICP, and related standards and guidance material, in order to achieve the outcome of fair treatment of customers.”
12. Acknowledging jurisdictional specificities allows supervisors to align their individual requirements and expectations with the unique needs and contexts of their jurisdiction.⁷ Relevant laws of the jurisdiction (including any legal obligations or limitations), any existing standards and codes, and the supervisors’ mandate and powers will all be relevant to the expectations supervisors have and the actions they may take. The paper’s discussion of use and/or collection of demographic data recognises that jurisdictional legal and privacy considerations regarding the use of personal information must be adhered to.
13. Local circumstances are also particularly relevant to insurers, intermediaries and supervisors identifying the characteristics and needs of their consumer populations and identifying what is

⁶ “Supervisors have the flexibility to tailor their implementation of supervisory requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards.

- Implementation – proportionality allows the ICPs to be translated into a jurisdiction’s supervisory framework in a manner appropriate to its legal structure, market conditions and consumers.
- Application – proportionality allows the supervisor to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole. A proportionate application involves using a variety of supervisory techniques and practices which are tailored to the insurer to achieve the outcomes of the ICPs. Such techniques and practices should not go beyond what is necessary in order to achieve their purpose.”

⁷ An example of jurisdictional specificity could be where a competent authority, perhaps for the reason of keeping the insurance premium down or of obtaining the desired breadth of insurance coverage across the population, introduces compulsory extent of coverage and premium calculation for a specific insurance product as a one-size-fits-all, “state-regulated” approach.

required to ensure fair treatment of a wide range of the population. This is further explained in Section 3.1.

1.4 Scope of this application paper

14. The ICPs are a globally accepted framework for insurance supervision that seeks to encourage the maintenance of consistently high supervisory standards in IAIS member jurisdictions. ICP 19 sets the standards for supervisors to require insurers and intermediaries, in their conduct of insurance business, to treat customers fairly both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.
15. Fair treatment of a wide range of consumers is relevant and applicable to all ICP 19 standards; however, this application paper particularly focuses on the following three standards:
 - ICP 19.1: The supervisor requires insurers and intermediaries to act with due skill, care and diligence when dealing with customers;
 - ICP 19.2: The supervisor requires insurers and intermediaries to establish and implement policies and processes on the fair treatment of customers, as an integral part of their business culture; and
 - ICP 19.5: The supervisor requires insurers to take into account the interests of different types of consumers when developing and distributing insurance products.
16. Other ICP 19 standards (19.8, 19.10 and 19.11) are also referenced in the application paper.
17. The recommendations and suggestions in this application paper are focused on retail consumers. As stated in ICP 19.0.4 “Requirements for the conduct of insurance business may differ depending on the nature of the customer with whom an insurer or intermediary interacts and the type of insurance provided. The scope of requirements for conduct of insurance business should reflect the risk of unfair treatment of customers, taking into account the nature of the customer and the type of insurance provided.”

2 Risk-based pricing and insurer autonomy

2.1 Risk-based pricing

18. Insurers use risk-based pricing to determine the premiums that policyholders pay for their insurance coverage on the premise that insurers evaluate and measure the risks associated with insuring different consumers and set premiums that align with the level of risk.

19. Some examples of factors that are typically considered in risk-based pricing include:

Life and health	Property and casualty
<ul style="list-style-type: none"> • Gender • Age • Health • Occupation • Lifestyle choices • Family medical history • Claims experience 	<ul style="list-style-type: none"> • Location of property • Purpose of property • Construction method(s) used • Cost of repair and replacement • Liability exposure • Claims experience • Demographic information of the driver(s) (car insurance)

20. Treating a wide range of consumers fairly and making insurance coverage more inclusive can coexist with the continued use of risk-based pricing and risk-pooling underwriting practices. However, insurers may need to think about how the methodologies and assumptions used in risk-based pricing can bring fair treatment of all customers, not only those who are part of a more normative or mainstream customer profile. Insurers may need to consider if data obtained and used in pricing fairly reflects the risks of the customers and whether it is free from unjustifiable biases. Examples include:

- Using information that benefits from the latest medical and statistical insights instead of any outdated assumptions around incidence, treatment options, costs and prognoses associated with medical conditions and family medical history;
- Examining whether the use of proxy measures that assume risk profile (eg—depending on their use—postal/zip codes, or age or gender) are applicable or are based on unfair biases and/or stereotyping. Depending on the insurance product and subject to jurisdictional specificities, possible examples include age, sex, nationality, postal/zip codes. Instead, insurers can consider the use of alternative data points aimed at providing a more accurate risk profiling of the customer (eg the customer’s actual driving patterns, or wearable telematics); and
- Ensuring that evolving technology avoids undesired outcomes. One risk to be avoided is the increasing use of automated decision-making tools and AI systems by insurers to underwrite, price and service their products that may, amongst other things, embed bias.

21. Additionally, insurers may adopt policies specifying that certain information will not be factored into risk-based pricing models for the reason of enhancing fairness, even in cases where it may have an actuarial risk implication. For example, the right for certain previous medical diagnoses to be forgotten after a defined number of years, which is a step that has been taken in some jurisdictions. In such cases, knowledge-sharing and collaboration between insurers, the medical profession, academia and consumer advocates/representatives is important.

2.2 Insurers' and intermediaries' autonomy to decide the scope of its business

22. Insurers and intermediaries operate to pursue commercially viable businesses while complying with the legal obligations and restrictions of the environment in which they operate. In some jurisdictions, there are cases where insurers are legally required to offer insurance to certain consumers who they may otherwise choose not to serve, such as a rule requiring motor vehicle insurers to provide insurance to all consumers who qualify. More generally though, insurers have the autonomy to decide on their product range and target market based on their business model, risk appetite and market considerations. The result of this commercial freedom may disadvantage consumers when they are unable, across the total insurance market, to access insurance coverage that meets their needs.
23. Absent some special local requirement, individual insurers and intermediaries are not required to meet the insurance needs of all types of consumers within a population. That said, insurers and intermediaries are authorised to offer insurance to the population to serve a need, which may bring a societal expectation (in some jurisdictions the term “social licence” is used) that they will collectively deliver on this purpose for the possible benefit of all consumers. Further, an insurance sector that has, in total, an available and accessible range of products and services appropriate for a wide range of consumers is better able to serve insurance’s societal purpose of building resilience.
24. Examples of ways to achieve this goal include:
- Insurers and intermediaries using data and testing/research to identify the extent to which they are serving the needs of various different consumer segments and to verify they are treating all customers fairly, notwithstanding their characteristics or vulnerabilities. This may include analysing the data they have about the characteristics of their policyholders, detecting trends in their customer-outcomes data (eg which types of customers experience the most claims denied or lodge the most complaints), community stakeholder engagement and perhaps broader social research;
 - Each insurer and intermediary challenging itself to expand its product range and/or modify existing exclusions, to better meet the circumstances and needs of the full breadth of the consumer population;⁸
 - Insurers and intermediaries better catering to a wider range of consumers already within the customer pool by taking measures such as designing their websites suitably, providing information and policy documents in multiple languages, offering consumers translation support, using clear and simple language, making forms more inclusive,⁹ offering a wide range of products to meet different needs and demonstrating a fair response to mental health concerns;
 - The insurance industry adopting a shared goal and committing to take action to achieve fair treatment for a wide range of consumers. A shared goal, collaborative actions and joint

⁸ For example, an EU insurer is in the process of launching an insurance product addressing the need of vulnerable migrants lacking access to rental housing. This product would provide coverage for property damage, liability and rent default to give landlords confidence while also offering migrants support services and a deposit alternative.

⁹ See the third recommendation in section 4.2.2.

initiatives of these kinds by the industry may be initiated and carried out within a jurisdiction or region to account for local context and local priorities, or may be established globally; and

- Supervisors engaging and supporting insurers and intermediaries, as well as industry associations, to encourage their commitment to deliver fair treatment for a wide range of consumers and greater financial inclusion.

3 Consumers at higher risk of unfair treatment

3.1 Populations include a wide range of consumers¹⁰

25. Consumers are not one homogenous group, and not all people in a consumer population fit the normative or mainstream consumer profile that insurers and intermediaries most often anticipate and most easily cater to. The focus of the concept advanced in this paper is that there are people who – due, for example, to their characteristics, condition and/or circumstances of vulnerability – have needs that differ compared with the needs of the normative or mainstream customer profile.
26. Consumers' differences may include, but are not limited to, age, disability, medical conditions/history, ethnicity, gender, national origin, language, religion, sexual orientation, cultural, educational or socio-economic background, place of residence (including rural and remote areas), access to technology, level of financial literacy. Various reasons – spanning neurological, cultural and circumstance – can lead to consumers exhibiting diverse ways of reasoning, processing information and making decisions.
27. Which characteristics and/or conditions tend to make someone different from a typical mainstream or normative customer depend upon the local context and particular situation. This paper does not designate any particular consumer profile(s) that must be treated in a defined way, nor does it aim to exhaustively define all types of consumer segments within a population. Local context (including legal, cultural and political) will play a role in helping supervisors, insurers and intermediaries to determine appropriate strategies to secure fair treatment in accordance with ICP 19 for a wide range of consumers.
28. "Vulnerable consumers" or consumers "experiencing circumstances of vulnerability" are terms used in some jurisdictions to refer to people especially susceptible to harm due to personal characteristics, conditions and/or external circumstances. Their risk of harm is elevated when a financial institution fails to act with the appropriate level of care, including considering the causes and extent of that vulnerability. Although everyone is at risk of becoming vulnerable at some point in their life (eg survivor of a natural disaster or someone experiencing a distressing life event), certain characteristics or situational circumstances can increase this risk. Equally, it is also the case that not everyone having a certain characteristic has the same propensity to become vulnerable. In recent years, some supervisors have established different expectations for the fair treatment of vulnerable consumers.¹¹ The concept of vulnerability is relevant in this paper as one

¹⁰ Readers are also reminded of the definitions of customer and consumer provided in Box 1: Interpretation of key terms in this paper.

¹¹ [Exposure Draft on Fair Treatment of Vulnerable Consumers | BNM](#) which resulted in the updated [Policy Document on Fair Treatment of Financial Consumers - Bank Negara Malaysia](#)

example of a consumer profile whose needs and circumstances may be different from the normative or mainstream consumer profile.

3.2 How unfair treatment arises

29. Analysis of examples collected from MCWG members and relevant insights from consumer groups reveals that consumers have been, and may in the future continue to be, treated unfairly in cases that include the following:

- **Insurance that does not effectively meet the customer's needs** – Poor outcomes result for consumers when they purchase insurance but it does not provide them value and/or is unsuitable for them. This can arise when insurers and intermediaries have a limited understanding of the needs and preferences of the various different consumer profiles that exist within the total consumer population. This can lead the insurer to develop and distribute products that do not effectively address that range of needs and result in a mismatch between what consumers require and what is being offered and purchased. Poor outcomes can also arise when consumers are not effectively supported and enabled to make informed purchasing choices, for instance if they are unable to access and understand important information about products or contractual terms;
- **Issues related to after-sale servicing** – Fair servicing of customers after the sale of an insurance policy should continue through the product's lifespan, including beneficiaries who may need to make a claim. If claims processing is delayed or denied due to a failure to accommodate the needs of a wide range of consumers, it may lead to unfair treatment. Insurance policies often have complex terms, conditions and exclusions that require adherence to specific processes, documentation, or certain technologies including electronic procedures that may be challenging for people, especially individuals with disabilities or language barriers;
- **Lack of access to insurance** – Insurance offers financial protection against various risks and uncertainties. However, some consumer groups, such as low-income individuals, marginalised communities, or those with pre-existing health or other conditions, may struggle to access insurance. This can leave them more vulnerable to financial hardships resulting from unforeseen events such as accidents, natural disasters or health issues. Lack of access to digital resources can further exacerbate the inability for certain groups to access insurance, making it difficult to find information about insurance products, enrol in coverage or submit claims online; and
- **Intentional targeting of vulnerable consumers** – In some cases, insurers and intermediaries have been found to have deliberately targeted vulnerable consumers who are less informed or have limited access to information and employed aggressive marketing, deceptive advertising or unfair pricing strategies to take advantage of these consumers' circumstances. Some examples are new immigrants, social grant recipients or low-income

[Treating vulnerable consumers fairly | FCA](#)

[Guidance for firms on the fair treatment of vulnerable customers | FCA](#)

[Preventing elder financial abuse | AMF](#)

[Barriers to managing money online | AFM](#)

[Dutch nationals with a migration background | AFM](#)

groups where the distribution and sales strategies rely on sales incentives, community ties and co-location (ie at the point of grant collection), rather than the insurance benefits, to complete sales.

Box 2: Examples of consumers who may face exclusion from insurance products or encounter difficulties

These examples highlight how some consumer cohorts due to differing characteristics and/or circumstances can face exclusion from or be disadvantaged with respect to insurance products and create situations where supervisors, insurers and intermediaries should consider whether consumer outcomes are aligned with ICP 19.

Gender: Women have faced disadvantage in certain insurance products, such as in health and life insurance, and have often been charged higher premiums than men for the same coverage,¹² for example based on presumptions or unreliable data suggesting women have higher healthcare costs. In other instances, health insurance policies disadvantage women by excluding maternity¹³ and pregnancy-related injuries, while covering conditions typically faced by men.

Occupation: Insurance products designed for traditional employment structures might not address the specific needs and risks faced by certain occupation such as gig economy workers¹⁴ and self-employed individuals. In particular, without access to employer-sponsored health insurance, these individuals may struggle to afford individual products or be left uninsured entirely (though this may vary based on jurisdictional specificities). They may also encounter barriers to obtaining income protection type insurance coverage.

Racial or ethnic disadvantage: People may be disadvantaged due to their racial or ethnic profile. For instance, some insurers use, or have used, postal/zip codes or migrant status, which can be correlated with race or ethnicity, to determine premiums for auto insurance (though in some jurisdictions the practice is lawful), which may result in higher rates for people in minority communities irrespective of their individual risk factors.

LGBTIQA+:¹⁵ LGBTIQA+ individuals can face unfair treatment and disadvantage in insurance coverage. They might be denied coverage or charged higher premiums (eg without reflecting the advent of new HIV treatments), asked questions in an intrusive and insensitive manner, or find that their circumstances are not appropriately contemplated in an insurer's/intermediary's customer-facing scripts, policies and/or documents like product information and forms. Additionally, trans and gender-diverse individuals might face challenges in obtaining coverage for gender affirming and transition-related healthcare and insurance coverage after transition.

Disability: People with disabilities might face exclusion or disadvantage in insurance coverage. For example, individuals with disabilities might struggle to find health insurance coverage that meets their needs, or they may face higher premiums due to perceived health risks. Furthermore,

¹² In many jurisdictions this has led to gender-based pricing being outlawed.

¹³ See a2ii.org/en/knowledge-center/gender/the-role-of-insurance-supervisors-in-boosting-womens-access-to-insurance.

¹⁴ The term "gig economy workers" generally refers to people who work in activities that use digital platforms to connect. These tend to involve independent contractor or freelance employment relationships that are part-time, temporary, casual and short-term.

¹⁵ LGBTIQA+ is an acronym that stands for lesbian, gay, bisexual, transgender, intersex, queer and asexual. The plus sign indicates that there are many different terms used to describe identity, not all of which are covered by the letters LGBTIQ. LGBTIQA+ is used with the intent of being an inclusive abbreviation of diverse sexualities, genders and sex characteristics.

online insurance platforms and applications may not be accessible for individuals with visual impairments or other disabilities, creating barriers to understanding and purchasing insurance.

Pre-existing conditions and illness: Pre-existing conditions and illnesses, such as a cancer diagnosis or a history of cancer, can impact someone's ability to access insurance. This can have a wider impact on access to financial services as insurance and can also act as a gateway to other financial services and products. For instance, there have been cases where consumers have not been able to secure a mortgage because they have been denied the required payment protection insurance because they are in remission of cancer.

Socio-economic: Lower-income individuals might face exclusion from certain insurance products due to affordability issues or to irregular or less secure employment not meeting the conditions of the standard policy rendering them effectively excluded from coverage.

4 Implementation of ICP 19 for fair treatment of a wide range of consumers

30. ICP 19 sets the standards for supervisors to require insurers and intermediaries, in their conduct of insurance business, to treat customers fairly both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.
31. A consumer population is comprised of people with varying characteristics and needs. To ensure fair treatment and achieve the desired outcomes of ICP 19, it is important to strive for fair treatment and outcomes being experienced by various different types of people.
32. However, while it may be desirable from a societal, reputational and/or trust and confidence perspective, there is no requirement under ICP 19 that guarantees every consumer will always find an insurance product that meets *all* their particular needs.
33. Where an intermediary performs activities on behalf of insurers in the design and/or distribution of products, the good practices, suggestions and recommendations expressed in this section as applicable to insurers also apply to the intermediary as the agent of and/or service provider to the insurer. An intermediary can also act as agent of an insurance customer.
34. The recommendations in subsections 4.1 to 4.4 of this paper concern how to implement ICP 19 in a way that achieves fair treatment of diverse consumers. More specifically:
 - In 4.1 – embedding the fair treatment of a wide range of consumers as part of the business culture;
 - In 4.2 to 4.4 – securing the fair treatment of a wide range of consumers at each stage of the product life cycle, which includes:
 - In 4.2 – meeting a range of needs and avoiding unconscious biases and discrimination in the product design, pricing and underwriting processes;
 - In 4.3 – selling and distributing insurance appropriately by taking into account anticipatable differences amongst consumers' characteristics and circumstances in a consumer population; and
 - In 4.4 – suitable after-sale servicing mechanisms that consider all types of customers and that also effectively detect instances of unfair treatment.

35. Graphic 1 summarises the recommendations, with cross-referencing to subsections 4.1 to 4.4 of this paper.

Graphic 1 How to implement ICP 19 to drive fair treatment of a wide range of consumers



36. Subsection 4.5 of this paper makes suggestions to give effect to the full intent of ICP 19¹⁶ by encouraging the supervisory community and the insurance sector to work towards a more inclusive insurance sector that better serves a wide range of insurance needs, including of people

¹⁶ ICP 19.0.1 says: "Requirements for the conduct of insurance business help to:

- Protect policyholders and promote fair consumer outcomes;
- Strengthen public trust and consumer confidence in the insurance sector;
- Minimise the risk of insurers and intermediaries following business models that are unsustainable or pose reputational risk, thereby complementing the risk management framework of a solvency regime; and
- Support a sound and resilient insurance sector by creating level playing fields in terms of the basis on which insurers and intermediaries can compete while maintaining business practices that support the fair treatment of customers."

who are currently underserved or who require special consideration when receiving insurance services.

37. This application paper also aims to encourage a proactive dialogue among market participants and supervisors on how to continue to evolve practices to adapt to changing markets and changing needs of consumer populations. This can be done by coordinating efforts between supervisors, sharing information, supervisory learnings and providing perspectives from, and exposure to, other regulatory environments and other involved stakeholders.

4.1 Embedding fair treatment of a wide range of consumers into the business culture

38. Serving a wide range of consumers fairly requires an awareness that there may be systemic or idiosyncratic inequities or unfairness that exist within the way the insurance business is conducted, either because of inherent societal inequities, bias, or ignorance, or because of suboptimal business practices (eg inefficient or insufficient execution of policies and/or processes).
39. This subsection outlines how an insurer's business culture can help promote fair treatment of a wide range of consumers. The [2021 IAIS Issues Paper on insurer culture](#) emphasised the importance of ensuring that insurers embed an organisational culture which consistently promotes sound prudential and conduct outcomes. . ICP 19.2 requires insurers and intermediaries to "establish and implement policies and processes on the fair treatment of customers, as an integral part of their business culture". Embedding policies, procedures, controls and reporting (including in the key compliance, risk and internal audit functions), and internal qualitative as well as quantitative assessments, designed to ensure the fair treatment of a wide range of consumers will contribute to achieving the ICP 19.2 standard.
40. Building upon the guidance of ICP 19.2.4, supervisors should particularly consider the following business culture attributes when determining whether an insurer or intermediary is well positioned to treat all consumers fairly, including those who differ from normative or mainstream profiles:
- **Tone at the top** – the tone at the top can play a crucial role in establishing an organisational culture that is aware of meeting a wide range of consumers' needs throughout the product life cycle. Promotion of this at the board and senior management level can increase fair treatment of a wide range of consumers;
 - **Strong compliance/risk function** – limited emphasis and prioritisation on compliance and risk procedures can lead to insufficient consideration given to treating fairly a wide range of consumers. Compliance policies and procedures can be designed to help ensure good outcomes for a wide range of consumers. In particular, internal controls can help ensure that instances of unfair treatment across differing customer cohorts are prevented, detected and adequately and promptly addressed. A robust complaints procedure can also contribute to detecting instances of unfair treatment of less prominent cohorts of the customer-base;
 - **Promoting a constructive feedback/remediation culture** – a specifically important element to foster a healthy organisational culture is to stimulate the learning capacity of the organisation and promote a healthy feedback culture, leading to appropriate remediation. Providing constructive feedback can create psychological safety in teams and organisations in which insurers and intermediaries feel free to identify and address failures to treat consumers of all types fairly. Providing feedback is an essential part of creating a

psychologically safe environment and acting on identified issues both addresses the issue and encourages future open feedback; and

- **Training and fostering awareness** – training is a constructive way for insurers and intermediaries to gain insight into and foster greater awareness of the challenges and needs of consumer groups and how to act with due skill, care and diligence (ICP 19.1) in their treatment. Training can cover topics such as unconscious biases (see Box 3), cultural sensitivity and communication skills.

Box 3: Unconscious biases and stereotypes

Unconscious biases are defined as the tendency people hold for human judgments, associations and discriminatory (social) stereotypes without being aware of it or having actual evidence. These biases happen when people form opinions about consumers based on implicit positive or negative stereotypes or preconceived notions which can negatively impact consumers, particularly consumers from minority segments of a population. Unconscious biases can have detrimental impacts on business operations and may lead to unintentionally discriminatory practices, policies and pricing, thereby negatively impacting some consumers. While unconscious biases and stereotypes can be difficult to avoid, they can be forestalled and minimised through education and training, the hiring of a wide range of employees and a data-driven approach to myth-busting stereotypes.

Stereotypes may also result in unfair treatment of or even discrimination against some consumers without risk-based justifications. For example, consumers with HIV may face greater discrimination than those without, even if they are on antiretroviral therapies. In fact, while HIV-related exclusions in insurance contracts have occurred in the past, they are no longer justified due to modern medicine and regular treatment.

Recommendations:

- Insurers/intermediaries should take active steps to reduce unconscious biases, use of stereotypes and discrimination in their business processes and throughout their business culture;
- Insurers/intermediaries should have policies on treating customers fairly and those policies should contemplate and make provision for fair treatment of a wide range of consumers. Policies should be accompanied by the processes and controls to help ensure the policies are effectively implemented. Setting such policies involves proactively considering the needs of a wide range of consumers with whom the business is likely to interact and reducing the risk of their unfair treatment. Making these policies public will promote transparency and accountability;
- Insurers/intermediaries are encouraged to use mechanisms, such as disaggregated analysis of complaints data and customer-outcomes data, that enable them to have a realistic understanding of the experience a wide range of consumers have with their business;
- To really embed fair treatment of a wide range of consumers into the business culture, senior management and the board's actions and messages should demonstrate to all layers of the organisation an explicit interest and priority in achieving fair treatment of a wide range of consumers as part of satisfying the obligation to treat customers fairly;

- Insurers/intermediaries should create a safe environment so that any signs or reports of detrimental treatment of consumers are identified and rectified. This should include internal compliance and reporting mechanisms, and prompt communication of critical risks and information on unfair treatment of consumers to the board and senior management; and
- Insurers/intermediaries should provide training, internal guidance and communications for staff members to ensure they can identify, understand and serve the needs of a wide range of consumers, paying special attention to training staff involved in product design and staff in consumer-facing roles such as distribution and after-sales servicing. It is also encouraged to attract and maintain staff from sufficiently varied backgrounds that reflect the society in which the insurer/intermediary operates, within the constraints and possibilities considering the circumstances of the insurer/intermediary (for example its size and location).
- To understand a wide range of customers' needs, preferences, challenges and/or barriers experienced, insurers/intermediaries are encouraged to actively reach out to a wide range of consumers and customers to talk with them about issues they may face in their daily lives and what can be done to make the provision of their services more inclusive and fair.¹⁷ Insights can then be deployed by the insurer/intermediary at each stage of the product lifecycle, as set out in the following sections 4.2 to 4.4.

4.2 Product design that accounts for different types of consumers

41. The development and design of insurance products is the first stage of a product life cycle and it is an extremely important phase as it defines the product's characteristics – including coverage and exclusions.
42. ICP 19.5 requires “insurers to take into account the interests of different types of consumers when developing and distributing insurance products”. Recognising that consumers are not all the same, there is a risk that products may not be appropriate and/or may not offer fair and/or desirable outcomes to certain consumers. This may occur if different consumer groups, and their differing needs, are not taken into account during product design and development processes.
43. In the product design and development phase, insurers determine whether their product offering delivers reasonably expected benefits to the targeted consumers whose needs the product aims to address. Insurers also define the distribution methods appropriate for the product and the targeted consumers. And finally, they identify possible risks relating to the product, including from changes in the environment in which the product is distributed. Insurers should ensure that the interests of a wide range of different types of consumers are considered in a balanced manner as part of overall consumer interests when developing the product.
44. In some jurisdictions, supervisors have the power to approve contract conditions and pricing and in others they may require insurers to have adequate product design and development processes. In both cases if, before bringing a product onto the market, there is not a clear assessment of the main characteristics of a product, its distribution method and the relevant related disclosures there is a risk that:

¹⁷ Roundtables could be one mechanism of achieving this and may be organised collaboratively by the industry. Engagement may be directly with diverse customers themselves or via collaboration with community or advocacy groups/organisations. Other mechanisms could be surveys, interviews or focus groups.

- The product may offer lower value to some consumers within the identified targeted consumers, because of their traits, characteristics and conditions;
- Possible discrimination against certain types of consumers and/or mis-selling may result for some consumers within the targeted consumer group, particularly arising from product exclusions; and
- Product-related risks may not be sufficiently detected and monitored because a range of consumers' circumstances have not been anticipated.

45. Some products may also be designed in a way that deliberately takes advantage of the biases and behaviours of some consumers, especially the more vulnerable consumers. For example, the so-called “price walking” practices, whereby consumers with limited propensity to shop around are unfairly charged higher premiums. The elderly and less digitally and/or financially literate consumers are examples of consumers that may be especially at risk.

4.2.1 Meeting the range of needs within the product's targeted group of consumers

46. The risk of unfair treatment of consumers can arise whenever processes and procedures lead to the poor identification and definition of the targeted group of consumers and/or when insufficient attention is paid to the range of needs amongst the targeted group of consumers.¹⁸

47. Before bringing a product onto the market, insurers should identify the targeted group of consumers to whom they intend to sell the product as part of their product development and design process (ICP 19.5.5). In doing so, sufficient attention should be paid to whether the targeted group of consumers will likely also include consumers for whom extra considerations during the product design will better ensure fair treatment and mitigate foreseeable potential harms.

48. If the needs of some types of consumers are not sufficiently considered though they are part of the target market, they are at higher risk of unfair treatment for instance because they:

- May have specific coverage needs;
- Could also be at higher risk of certain pricing practices which unfairly discriminate against them; and/or
- May process information in a different manner.

Recommendations:

- Insurers should identify whether there are reasonably likely to be some different needs within the target group for the product being designed. If yes, they should take into account those anticipatable needs and characteristics during the product design with the aim to deliver fair treatment for everyone in the target group. This should include coverage needs but also behaviours and ways in which they are likely to access insurance products and process information;
- Staff working on product design and development should receive sufficient training to better facilitate the insurer's understanding of a wide range of consumers' needs and characteristics. It is also good practice for the staff themselves to be from sufficiently varied backgrounds to the

¹⁸ Even amongst a target group, there are likely to be various differences amongst consumers, but this may depend on the granularity of the target group. It may also depend on the types of products, the services offered and the general market conditions.

extent possible. This contributes to the insurer's workforce and leadership having a broader understanding of the needs of various types of consumers, greater innovation capacity, reduced risk of groupthink, and less likelihood of systemic misconduct;¹⁹

- Insurers should adapt their product design and market research processes to ensure that consumer research/panels/focus groups are appropriately reflective of the wide range of consumers within the society in which the insurer operates;
- Insurers should design clear criteria in policies and procedures as to whether, because of the characteristics of the product (eg product complexity, coverage, eligibility, claims thresholds, etc), certain consumers should not be within the target group. This is one aspect of protecting consumers from being sold ill-suited products;
- When product approval is required by law, supervisors should assess – as part of their approval process – whether the needs and characteristics of different types of consumers who can reasonably be expected to be in the target group have been appropriately taken into account;
- When product approval is not required by law, supervisors may issue guidance expecting insurers to sufficiently take into account the characteristics and needs of different types of consumers within a target group during the product development process. The local context can inform how a supervisor decides to express such guidance including, for example, if the guidance focuses upon the treatment of certain types of consumer cohorts (or takes a more general approach); and
- It is good practice for supervisors to expect insurers (by requirements or guidance) to carry out specific qualitative product testing and scenario analysis to determine product suitability for different consumer profiles, and to identify and mitigate possible risks for less common consumer types within a target group, including to determine that, for the range of consumers existing within a target group:
 - The product offers value, including with respect to the coverage and the costs/coverage ratio;
 - There are no exclusions within the product which unfairly target and/or which may lead to the unfair treatment of certain types of consumers;
 - The pricing mechanisms, in particular those relying on complex algorithms and AI techniques, do not unjustly discriminate against certain types of consumers;
 - Disclosures are easy to understand for a wide range of consumers, also taking into account that some consumers likely process information in different manners; and
 - Events (including environmental events) that may lead to some consumers becoming vulnerable or otherwise detrimentally impact certain types of consumers are adequately identified and mitigation measures are in place to ensure that such consumers continue to be fairly treated.

¹⁹ For a more complete exploration of the benefits, refer to Section 2 of the IAIS [Application Paper on supervising diversity, equity and inclusion: the governance, risk management and culture perspective](#) (November 2024).

Box 4: Considerations on technology and data

Technology is expected to continue to play an increasing role in the product design and development process. The increase in large amounts of internet-based data, advanced data analytics and the use of AI and ML could bring benefits through insights on how to best serve a wide range of consumers, but they could also exacerbate existing risks of unfair exclusion of and discrimination against some consumers.

When data sets are polluted, outdated, selective or driven by biased algorithms or potential self-learning impacted by unconscious biases, unintentional discrimination may occur. The risks are reduced if the use of AI and other technologies in underwriting, pricing and distribution practices adheres to ethical principles, eliminates biases and eliminates flawed assumptions or weak data or analytics. It is important that:

- Insurers actively assess the use of technology to ensure that it does not unjustly discriminate against some consumers;
- Insurers carefully consider the use of variables related to certain personal characteristics, or alternative variables for such characteristics, in automated calculations or models and that these variables do not negatively impact certain types of consumers. In particular, insurers should avoid the use of such variables in insurance underwriting that would negatively impact diverse consumers, when relying on complex algorithms and AI techniques in pricing practices; and
- Insurers use evolving technology to better understand the needs of a wide range of consumers and improve their servicing.

See also the [IAIS Application Paper on the supervision of artificial intelligence](#).

4.2.2 Designing appropriate product distribution methods

49. In the product design and development phase, the insurer should determine the distribution channels and also the information which they share with intermediaries for training and for marketing/sales to consumers. Unless there are clear processes and procedures to ensure that the needs and characteristics of anticipatable types of consumers are taken into account during this design phase, there is a risk that the selected distribution channels may not be appropriate and/or that the insurer may not provide the intermediary with sufficient information to ensure that the product is distributed in a way which takes into account the needs, circumstances, conditions and characteristics of the consumers.

Recommendations:

- In defining how the product is distributed, insurers should take into account the needs, circumstances, conditions and characteristics of anticipatable types of consumers. In particular, insurers should not select a distribution strategy that has an adverse impact on certain anticipatable consumer cohorts. For example, if, within the targeted pool of consumers, there are likely to be consumers who cannot access online distribution channels, then other channels should be provided in addition to these;
- Insurers should provide intermediaries with sufficient information about the product and the targeted group of consumers so that intermediaries can easily understand the product and

identify consumers and their special needs or circumstances, as well as anticipate issues which may plausibly arise for those consumers; and

- Forms that the customer completes as part of the purchase of insurance should be designed to be as inclusive as possible, for instance regarding less common names, gender identity and sex at birth options, non-heterosexual, family structures, etc.

4.3 Securing appropriate sales and distribution to a wide range of consumers

50. In the distribution and sales process, paying attention to the reality that there is a range of consumer characteristics and needs and to humanising the interaction are important contributors to fairer treatment of and an avoidance of harm to a wide range of consumers.
51. For instance, the characteristics of some consumers may mean that some standard disclosures and marketing materials are uninterpretable and hence grossly ineffective. Some consumers may more easily fall prey to aggressive marketing and/or deceptive advertising. Some may be unable to understand and articulate their needs or may be unable to access and understand important information about products or contractual terms. All of these circumstances would result in poor decision-making, uninformed choices and negative outcomes. Hence, it is important these different abilities and needs of these kinds are taken into account when distributing a product.
52. In the context of advised sales, ICP 19.8 states that “where customers receive advice before concluding an insurance contract the supervisor requires that the advice provided by insurers and intermediaries takes into account the customer’s disclosed circumstances”. This includes any circumstances that make the consumer diverse.
53. If the needs of a wide range of consumers are not sufficiently taken into account in the product distribution phase there is a risk that:
 - The way in which information is given and disclosed to consumers may not enable them to make informed choices about the product;
 - When advice is provided, the way in which it is provided may not be apt taking into account the characteristics of the consumers; and
 - Products which are not suitable for consumers are recommended to them, leading to losses for them if they are not eligible for the product and/or if their specific needs are not covered.

4.3.1 Marketing communications and disclosures

54. The fact that across a consumer population there is a range of differing abilities and barriers to understanding insurance information (eg due to language, culture, neurodivergence, education etc) should be taken into account during the development and implementation of techniques used to promote products to a particular market. Poor provision of information can lead to unfair outcomes.
55. If insufficient attention is paid to the needs and characteristics of consumers, some consumer cohorts may not be able to adequately understand the risks and benefits of the insurance products.

56. Insurers and intermediaries should also be careful not to inappropriately rely on the customer to have understood something in circumstances where that amounts to an unreasonable expectation, for instance where they are on notice of certain relevant characteristics of that individual customer. Language barriers, vision impairments, lack of online/digital access, neurodivergence, cognitive impairment and reduced mental capacity are examples of different circumstances that can impact a consumer's ability to access and understand marketing communications and disclosures.

Recommendations:

- Insurers and intermediaries are encouraged to inform consumers effectively as opposed to providing vast amounts of information to customers in a tick-box manner. Insurers and intermediaries are encouraged to take into account that there is a range of ways in which consumers receive and process information and to make marketing communications and disclosures accessible and easily and accurately understood by as wide a range of consumers as possible;
- To make sure that marketing communications and disclosures are fit for purpose, insurers and intermediaries may draw upon research, follow best practice guidelines and engage in focus groups or similar with a wide variety of consumers to test and improve the suitability of the marketing and disclosure materials;
- Insurers and intermediaries may develop tailored versions of the marketing and disclosure information so that certain types of consumers can receive the information with the content, format and presentation most conducive to their needs²⁰; and
- Insurers and intermediaries should examine how their marketing and disclosure communications and techniques are used and the impact they have on a wide range of consumers. This should include whether certain techniques may lead to certain types of consumers feeling pressured to buy a product or being misled or misinformed about a product.

4.3.2 Deploying the distribution strategy appropriately

57. Intermediaries generally receive information from insurers on how the characteristics of the product affect targeted consumers and how the product should be distributed.

58. If intermediaries do not sufficiently take into account this information and the range of needs of consumers when developing their own sales/distribution strategy, they may not distribute/sell the product in a way which ensures fair treatment across a wide range of consumers.

Recommendations:

- Intermediaries should implement the distribution strategy in a way which sufficiently takes into account instructions provided by the insurer and which aims to ensure the fair treatment of all types of consumers within the targeted group of consumers; and

²⁰ Some examples of this include insurers developing video and interactive online content, making website design more inclusive, preparing documents in braille, having multilingual documentation, offering a telephone voice clarification device to assist the elderly and offering a sign language interpreter to facilitate communication with a customer with hearing disability or speech impediment.

- If they have not received such information from the insurer, it is good practice for intermediaries to seek guidance and/or independently consider how to distribute/sell the product to avoid detriment to all consumers.

Box 5: The human approach

Intermediaries play an important role in the financial decisions of consumers. While the Covid-19 pandemic accelerated digital distribution channels and, in general, insurers, intermediaries and consumers have embraced the surge of digital onboarding processes, at the same time some consumer cohorts may have fallen behind leading to inequitable outcomes for those consumers.

Some consumers may require extended periods of interaction with an insurer or intermediary, which may involve in-person communications, detailed background risk screening, and a deeper understanding of which challenges they face. Intermediaries can play a crucial role in ensuring the needs of those consumers are duly taken into account.

Interpersonal communications with humans will remain important, for some consumers more than others, especially during the distribution of an insurance product, considering that some types of consumers will have needs that are more complex and/or sensitive. For instance, intermediaries and insurers may assess whether digital or telephone-only channels are appropriate or if it is necessary to provide alternative ways or channels to communicate, or may consider keeping local branches open for consumers who need specialised assistance

4.3.3 Advice and suitability

59. Certain products may not be appropriate for certain consumers because of their characteristics. Hence, additional care is needed to ensure that the needs of the customers are duly taken into account when providing advice.
60. When insurers and intermediaries have a limited understanding of the needs of various types of customers, products that do not effectively address their needs may be distributed to such customers, causing a mismatch between what they require and what is being offered or purchased and leading to inappropriate sales and therefore poor outcomes. In particular, if insurers and intermediaries do not clearly assess whether advice should be provided to certain consumers, there is a higher risk of detriment.
61. Where advice is provided, if specific characteristics, conditions, circumstances and needs of the customers are not taken into account (ICP 19.8.6), then the advice will not be fit for purpose and will not achieve the desired objective of informing that customer.

Recommendations:

- Intermediaries advising on a product, or insurers when they distribute the product directly, are encouraged to carefully and actively consider whether the insurance product is suitable, taking into account the needs, conditions, circumstances and characteristics of the customer to whom they are providing advice;
- It is good practice for intermediaries advising on products sold to minority customer profiles to provide feedback to insurers on possible issues and any adverse impact the product may have on those consumer cohorts;

- Intermediaries may adopt specific strategies such as additional questionnaires and collection of information to identify and assess the specific needs of customers during the sales processes; and
- Where local jurisdictions do not already require independent advice, insurers and intermediaries may consider if a product should be sold with advice to certain consumers to avoid inappropriate sales.

4.4 After-sale servicing, product monitoring and review mechanisms that account for all types of customers

62. The period after the sale of a policy through to the point at which all obligations under the contract have been satisfied is critical for maintaining trust, fostering positive outcomes, delivering the promised service and product, and ensuring that customers receive the support they need throughout the duration of their coverage. After-sale treatment of all types of customers is therefore of significant importance to achieving fair outcomes, with insurers and intermediaries expected to act with due skill, care and diligence when dealing with customers (ICP 19.1). This includes, but is not limited to, meeting high standards of ethics and integrity (ICP 19.1.1).
63. Insurers and intermediaries are expected to treat all their customers fairly through to the point at which all obligations under the policy have been satisfied. Acting with due skill, care and diligence and meeting high standards of ethics and integrity involves treating customers fairly, including taking into consideration their relevant characteristics and/or circumstance of being vulnerable if it is known to the insurer or intermediary even when a customer fitting that profile was not originally targeted nor anticipated by the insurer/intermediary.
64. ICP 19.5.5 gives guidance on various matters that supervisors may expect of insurers and intermediaries as part of meeting the ICP 19.5 standard that “the supervisor requires insurers to take into account the interests of different types of consumers when developing and distributing insurance products”. It includes that “the policies, procedures and controls put into place should enable the insurer to ... monitor a product after its launch to ensure it still meets the needs of target customers, assess the performance of the various methods of distribution used with respect to sound commercial practices and, if necessary, take the necessary remedial action”.

4.4.1 Communication and assistance

65. The points above in Section 4.3.1 on ensuring pre-sale communications are accessible and understandable to a range of consumers also apply to after-sale communication of information and provision of assistance to customers.
66. In case of regulatory changes where policyholders are directly affected, for instance when customers have to make a choice concerning their insurance product, some customers may not understand how they are affected and may not be able to make relevant decisions if their characteristics have not been taken into account in the design and implementation of the communication campaign.
67. Relevant elements to be considered when communicating with a wide range of consumers include using consumer testing to design effective communications and examining communication preferences to use the most suitable communication channels (eg letter, email, personal contact, smartphone application, etc). For example, where there is a default method by which customers are sent communications, the insurer should ensure that the default option suits

all anticipated customer profiles within the target customer group. Digital access and digital literacy of customers should not be assumed, and the number and range of people affected is probably underestimated.²¹

68. Moreover, once an insurer or intermediary is in direct contact with a customer who is known to have diverse characteristics, acting with due skill, care and diligence through the provision of suitably tailored communication and assistance is essential to achieve fair treatment outcomes. It is also important that customers who fall into conditions of vulnerability known to the insurer or intermediary, are offered appropriate assistance.
69. When transitioning to digital channels, this may unintentionally exclude some customers – insurers need to identify this in a timely manner and develop clear measures to continue to provide services to those customers who cannot go fully digital.

Recommendations:

- Insurers are encouraged to conduct regular reviews to determine if they are providing sufficiently tailored communication and assistance that the customers can understand and act upon and are providing it through communication channels suitable for the customers to engage with;
- Insurers should monitor complaints looking to detect any instances of unfair treatment in the service provided to customers, ideally segmenting complaints by customer type. Insurers may additionally proactively solicit feedback from customers and intermediaries about the experiences of various types of customers in after-sale servicing. Both activities should be used to implement corrective actions and identify areas for further improvement;
- Insurers may also conduct customer satisfaction surveys or focus groups (where appropriate, in cooperation with their intermediaries) to ensure that the perspectives, viewpoints and concerns of a wide range of customers can be proactively identified and mitigated;
- Insurers should ensure that they make provisions for customers who have limited or no digital access and digital literacy to nonetheless receive the communications, services and assistance that the insurer provides to its customers, unless the entire business has been operated digitally since before the person became a customer; and
- Insurers and intermediaries are encouraged to participate in initiatives aimed at improving financial service provision to people with limited digital skills.

4.4.2 Product monitoring and review to detect and address unfair treatment

70. Insurers should have policies, procedures and controls in place that enable it to monitor existing products to ensure they still meet the needs of target customers and that the product is distributed according to sound commercial practices, and, if necessary, take remedial action (ICP 19.5.5). Existing products should be reviewed and updated periodically, particularly after changes in laws and regulation or after key performance indicators signal the need to do so, including if a

²¹ Dutch Authority for the Financial Markets, [Barriers to managing money online](#), 2023. The report notes that the group of people experiencing digital barriers is highly diverse, but the likely characteristics of people with low digital skills are older age, with a practical education and a low level of literacy. They are also more likely to have a migration background. The report also describes that financial organisations vary in the extent of thought and action they are giving to improving access to services for people with limited digital skills.

product's design is leading to unfair treatment of particular customer cohorts who have bought that product.

71. ICP 19.9.2 also indicates that insurers should maintain a relationship with the customer throughout the policy lifecycle in order to enable the insurer to satisfy its obligations under a policy in an appropriate manner through to the point at which all obligations under the policy have been satisfied.
72. Conducting periodic reviews on product effectiveness is crucial to ensure compliance, mitigate risks and enhance overall product quality for all customers. Possible indicators or triggers that could lead to a review of a product include changes in the terms and conditions that result in significant changes in the operation of the product (for example, when the insurance cover changes), macroeconomic conditions affecting the product value proposition for some consumers, or an increase in the number of complaints. Other triggers can be negative publicity surrounding a product, disappointing product performance, significant and unforeseen impairments or risks that have not previously been identified and, of course, changes in customers' personal situation or wishes.
73. In some cases, insurers can foresee that customers will run into financial difficulties; for example, when monthly direct debits for the insurance product are returned unpaid. It is in the interest of both the insurer and the customer that the risk of payment difficulties is identified early to avoid or limit the costs of payment delinquency. When customers run into financial difficulties (for example due to rising costs of living, the loss of their job, the death of their partner or other reasons), this can have a big impact on their material circumstances and emotional wellbeing. It is reasonable for insurers and intermediaries to proactively anticipate the likelihood that such situations will occur to some people within their overall customer pool and to take reasonable steps to encourage customers to bring such issues to their attention if they arise. If insurers do not take into account these circumstances once known, and do not act with due skill and care, there is a material risk of unfair treatment.

Recommendations:

- Insurers and intermediaries should proactively encourage customers to self-report any change in their personal circumstances causing them hardship or vulnerability at an early stage, so that assistance can be provided (for instance relevant forbearance measures). Insurers and intermediaries are also encouraged to identify ways to monitor whether certain consumer cohorts within the targeted pool of consumers may fall into conditions of vulnerability and require additional protection or special treatment. Applicable data protection requirements and privacy laws must be adhered to;
- Insurers should regularly monitor products and have ad hoc reviews when there are certain events that can lead to the product having an adverse impact on customers. In particular, insurers are encouraged to identify events that have an adverse impact on certain customer cohorts and/or can make them fall into conditions of vulnerability or exacerbate challenges they already experience. If instances of adverse impact are identified, insurers should review the product and remedy the situation for the relevant customers;
- Insurers should evaluate the effectiveness of internal controls related to product governance processes to ensure that controls are in place to monitor product performance, detect issues and facilitate timely reviews and adjustments; and

- Insurers are encouraged to implement independent audits to evaluate the effectiveness of internal risk management controls vis-à-vis the fair treatment of all types of customers.

4.4.3 Claims procedures

74. Fair treatment of customers involves handling claims in a timely, fair and transparent manner (ICP 19.10). Claims procedures can be complex and overwhelming, especially considering that high-impact life events may have necessitated the insurance claim (eg accident, health event, total home damage, etc) and that the customer might be in a circumstance of vulnerability. Submitting a claim could also be even more challenging for some types of customers due to their characteristics and needs. For instance, customers who have a limited comprehension of the language used in the claims process, or who do not possess sufficient digital skills, may experience difficulties. Some customers may have difficulty providing certain information that the insurer might typically request, for instance immigrant or refugee customers or customers from circumstances of family or domestic abuse.
75. Insurers carry the responsibility to offer timely and just payouts or compensations based on the risk. This compensation might be essential to financial security and, in the case of home insurance, to restore normal living conditions.

Recommendations:

- Insurers should provide clear guidance to all customers on how to navigate the claims process, submit required documentation and track the status of their claims, and are encouraged to additionally provide targeted guidance and support that aim to best resonate with certain customer profiles;
- Insurers should have formal claims procedures that involve an appropriate degree of tailoring/modification to the reasonably anticipatable needs and circumstances of their range of customers (as informed by the profile of customers the insurer serves and/or are reasonably anticipatable within the relevant consumer population) in order to contribute to overall fair processes and outcomes for its customers and to meet its obligations to handle claims in a timely, fair and transparent manner. Examples may include having claims forms in different languages and providing guidance upfront on what customers should do when submitting their claim if certain documents cannot be provided for legitimate reasons; and
- Insurers should analyse claims data to identify patterns of claims, claim frequency, claim severity and claim outcomes, looking at disaggregated data by customer type to determine if some are more adversely impacted by the product, events and/or by the claims process itself.

4.4.4 Complaints procedures

76. Fair treatment of customers involves handling complaints in a timely and fair manner (ICP 19.11). As with other stages in the product life cycle, it is important for insurers and intermediaries to take into account that a customers' needs and preferences may differ from the majority customer profile – for instance, some customers may express dissatisfaction, query a decision and/or raise a complaint in a different manner than typical. For example, certain demographics may have a lower tendency to register complaints or voice grievances, or they may be deterred from participating in traditional complaint-raising processes due to the process involved. Acting with due skill, care and diligence would involve recognising these cases and then assisting those customers to register their complaint into the insurer's complaints process.

Recommendations:

- Insurers should have complaints policies and processes that are as inclusive as possible for all customers, informed by an understanding of a wide range of customer characteristics, needs and preferences (by reference to the profile of customers the insurer serves and/or are reasonably anticipatable within the relevant consumer population). Examples may include providing multiple methods by which customers can submit a complaint and making the process easy and not intimidating;
- Insurers should ensure that information on their complaints handling policies and processes can be readily found and easily understood by a wide range of customers, including by considering a wide range of customer characteristics, needs and preferences;
- Insurers may consider testing/researching if different customer cohorts perceive the complaints procedure as being accessible and fair; and
- Insurers should avoid discrimination against or unfair treatment of minority customer profiles in assessing and responding to complaints. In such instances, these cases should be carefully registered to identify whether different elements of customers' profiles are leading to, or related to, specific complaints.

4.5 Working towards greater access for a wide range of consumers across the insurance sector

77. Insurance operates in varied societal contexts, encompassing a range of individuals from a breadth of backgrounds, cultures and identities. Technological advancements and evolving consumer preferences are reshaping the insurance landscape – further changes to insurance are caused by changing structural dynamics such as an ageing population, extreme weather events or a higher interest rate environment. The industry's ability to adapt to these challenges will determine whether insurance remains fit for purpose and does not penalise or exclude those most in need of protection.
78. As insurance can be a particularly acute need for some underserved consumers and others who are in vulnerable circumstances, it is essential that the sector is encouraged to meet the needs of these consumers. Consumers excluded from insurance (see Box 2), or who are outside the mainstream of normative consumers researched by insurers, cannot easily communicate their needs and therefore have difficulty influencing the design, delivery and price of products, the way they are distributed and the manner in which after-sales services (such as claims handling) occurs. The consequences may go beyond individual customer detriment and result in poorer use of resources across the economy and reduced risk management leading to missed economic opportunities, as well as leading to missed opportunities for the industry.
79. Under a market-based system, consumers generally do not have a right to receive insurance products and services, nor do insurers and/or intermediaries have an obligation to provide or distribute them. However, access to insurance is a cornerstone of society and important to financial stability and the integrity of markets. To ensure safe and sound financial markets and reduced harm from unexpected or random events which can be insured, supervisors can play a role in ensuring their markets function and serve a wide range of consumers, as well as ensuring a healthy, solvent and competitive insurance market.

80. This section highlights the role that supervisors can play in ensuring that their insurance sector is inclusive, fit for purpose and reflects the various needs of consumers. They may play a vital role in ensuring a wide range of consumers have access to insurance products and services by fostering an environment that promotes financial inclusion, facilitates market development and addresses specific challenges relevant to certain consumer cohorts. It is important to note that supervisory mandates can influence the range of actions taken and the tools adopted by the supervisor to support action.

4.5.1 Shaping the supervisory landscape

81. By incorporating access-enhancing considerations into supervisory frameworks and regulatory requirements, supervisors may reduce the impact of systemic and idiosyncratic barriers that hinder access to insurance products and services for underserved communities and consumers. Supervisors may leverage their role in shaping the supervisory landscape to create an environment conducive to facilitating access to insurance and financial inclusion by:

- **Designing targeted solutions:** Some supervisors have established dedicated initiatives aimed at promoting financial inclusion for certain populations. These initiatives might involve collecting data through surveys, focus groups or pilot programmes to understand the specific barriers faced by different groups and design targeted solutions;
- **Public consultations and feedback:** Supervisors can conduct public consultations and actively seek feedback from diverse stakeholders, including consumer groups, community organisations and financial institutions serving specific populations. This allows them to gather qualitative data on the lived experiences of those consumers and tailor regulatory requirements accordingly; and
- **Collecting consumer data to monitor access, affordability and trends:** Supervisors can use a data-driven approach to monitor and analyse data on insurance penetration rates among different demographic groups and identify disparities in coverage, access and affordability to inform policy decisions and facilitate targeted interventions. This can be achieved by collecting and analysing data through dialogues with consumer groups and focus groups.

By bringing together individuals from various backgrounds, experiences and viewpoints for focus groups, and by conducting these qualitative interviews with a wide range of consumers, these efforts can reveal unexpected needs, concerns, preferences and barriers that might previously have been overlooked or not considered. They can help supervisors to inform actions such as thematic reviews or broader discussions with policymakers on how to address potential protection gaps.

Supervisors can also access and analyse aggregate data from various sources such as complaints data, reports from financial institutions, surveys and public databases revealing the needs of various types of consumers. This can help them identify trends and patterns in financial inclusion and exclusion, allowing them to understand the specific needs and challenges faced by a variety of communities. This data can inform targeted research by supervisors into available solutions and initiatives that address these challenges and promote access to insurance for specific groups.

4.5.2 Facilitating market development

82. Beyond setting the supervisory landscape, supervisors may choose to play an active role in facilitating development of products and markets that meet the needs and accommodate the circumstances of a wide range of consumers. This involves:

- **Enabling innovation:** Some supervisors are piloting initiatives like sandboxes and innovation hubs, which provide a controlled space for testing new financial products and services tailored to specific needs of certain consumer cohorts. This can be valuable for understanding the challenges and opportunities involved in reaching the full breadth of the population with innovative financial solutions. It can also guide the responsible adoption of digital tools to expand access to insurance;
- **Supporting alternative distribution channels:** Supervisors can recognise and support the role of alternative financial service providers seeking to serve consumers, such as community development financial institutions (CDFIs) and mobile money platforms. These entities often cater to the specific needs of underserved communities, offering more flexible and accessible products;
- **Collaboration:** Supervisors can engage with other stakeholders, such as governments, industry, non-governmental organisations (NGOs), development agencies, social organisations community and consumer associations, and trade associations to create a supportive ecosystem that promotes inclusive initiatives. Collaboration initiatives can include developing financial literacy campaigns targeted on educational materials and workshops tailored to specific demographics, considering language, cultural context and insurance needs; and
- **Encouraging consumer education:** Supervisors can support initiatives that educate a wide range of consumers about their insurance needs and rights, how insurance products can protect their financial security and the available options. This can include working closely with trade associations, consumer groups, community organisations and other nonprofit organisations to signpost to various consumer cohorts where they can access insurance, what to look for when purchasing insurance products and how to protect their rights and access benefits after purchase.

5 Conclusion

83. Supervisors can play a critical role in breaking down barriers and ensuring that a wide range of consumers have access to the insurance products they need to protect themselves from risk of loss and are treated fairly by insurers and intermediaries in their interactions. Ultimately, this fosters a financial system that benefits everyone.

84. Supervisors should ensure that initiatives promote fair access and fair treatment, but without distorting overall sound prudential management by insurers.²² Supervisors balancing both of these objectives will foster an environment where insurers can meet the wide range of consumer needs while also maintaining sound businesses. It is also relevant to allow for jurisdictional specificities and proportionate implementation by insurers, intermediaries and supervisors of the guidance set out in this application paper.

²² Section 2 addressed the ongoing role for risk-based pricing and insurers' autonomy to decide the scope of its business.

85. Treating fairly a wide range of customers, not only those fitting within a normative or mainstream customer profile, is essential for the insurance sector to be resilient, innovative and trustworthy. Supervisors should apply ICP 19 to achieve the fair treatment of a wide range of consumers and may also help drive a transition to more inclusive insurance products and services by spearheading and supporting initiatives with respect to the supervisory landscape and facilitating market development. By doing so, supervisors uphold the integrity of the insurance sector – ensuring that it remains accessible, fair and responsive to the needs of all stakeholders in society – particularly for those consumers who are least able to protect themselves or who are not typically the focus of industry efforts.