

Resolution of comments

Public consultation comments received in the consultation phase¹ of preparing the *Application Paper on fair treatment of a wide range of consumers* 25-Jun-24 to 25-Sep-24

Overview

This document provides the detailed comments submitted by 14 respondents to the public consultation. One submission was received after the collection of consultation comments and is therefore presented separately from page 126 rather than consolidated within the main IAIS response to the consultation.

Additional input

On 6 December 2024, as part of the IAIS Annual Conference programme, two roundtable sessions were held to facilitate discussion on *Financial inclusion and fair treatment of diverse consumers* attended by approximately 140 people spanning industry representatives, supervisors and consumer advocates. Polling of attendees revealed they consider the biggest challenge for diverse consumers is understanding insurance well enough to make an informed purchasing decision. Insights shared at the roundtables have also been taken into consideration in preparing the post-consultation version of the Application Paper.²

¹ At the time of consultation, the paper was titled *Draft Application Paper on how to achieve fair treatment for diverse consumers*.

² In particular, the insights shared in response to the discussion question “What are the challenges for the insurance industry to make its business practices (eg advertising, product disclosure, sales, claims processes, complaint mechanisms) more inclusive to a wide range of consumers? How might these challenges be lessened/overcome? What are some examples of initiatives that are working well?”

Feedback: key supportive themes

- Expressions of shared belief around the importance of insurance meeting the needs of diverse and vulnerable customers to avoid poor outcomes for them.
- Appreciation and support for the paper's recognition of proportionality and the influence of local circumstances.
- Support that the IAIS recognises that insurers have the autonomy to decide on their business models, operations and distribution channels.
- Strong support for the role that supervisors can play in facilitating development of inclusive products and markets set out in section 4.5.2.

Feedback: other key themes

Analysis of the feedback reveals some key repeated themes which are summarised, together with the IAIS responding position, below. The "resolution of comment" column in the table from page 7 cross-references back to these IAIS responses (IAIS response A, IAIS response B etc).

- A. Some comments sought explicit confirmation that the paper is focused on retail consumers. This is now clarified in section 1.4 on scope of the application paper.
- B. Some comments questioned why the paper uses both terms "customer" and "consumer". The use of both terms has been retained which is in line with the IAIS Glossary. The explanation in the paper about the use of these terms, and why both terms have relevance in the paper has been strengthened – see footnote 1. Some corrections have been made regarding which term is used in which sentence.
- C. A couple of comments expressed that the concept of diverse consumers/customers explained in the paper is too broad/imprecise and hence impractical. Along similar lines, a couple of comments expressed that creating a concept of diverse consumers is not needed because "vulnerable consumers" is already a recognised concept in some jurisdictions and/or that fair treatment is important for all consumers and raising the standards of treatment for all consumers will anyway benefit diverse consumers also. The paper aims to raise attention to the fact that any consumer population involves a variety of people and that the differing characteristics and circumstances of people contribute to them having differing needs and abilities when they interact with an insurer or intermediary. Relatedly, fair treatment of customers per ICP 19 involves striving to achieve fair treatment for as wide a range of consumers as possible, not only those consumers fitting within a normative or mainstream profile. Edits in the paper have sought to reinforce that the paper does not assert that supervisors, insurers or intermediaries must create new dedicated frameworks specifically for a certain specified profile of consumer. Additionally, the paper explains that implementation in any given jurisdiction will be informed by the local context including legal, cultural and political.

- D. Some comments expressed that the paper may not appropriately balance consumer protection with operational realities and regulatory burden. The proportionality principle underlies all IAIS materials (supervisory material and supporting material, such as Application Papers). The consultation version of the paper already referred to the proportionality principle, but more description of what proportionality means (in line with the IAIS Introduction to the ICPs) has been added to section 1.3 plus a sentence to reinforce that supervisors' expectation of the actions insurers and intermediaries take may be informed by the size, location and nature of the insurer/intermediary in question. Additionally, edits in the paper have sought to reinforce that the paper does not assert that supervisors, insurers or intermediaries must create new dedicated frameworks, rather the paper seeks to expand recognition of the fact that any consumer population involves a variety of people and that fair treatment of customers per ICP 19 involves striving to achieve fair treatment for a wide range of customers, not only those fitting within a normative or mainstream consumer profile. The paper then guides, suggests and recommends how insurers, intermediaries and supervisors can achieve this.
- E. Some comments expressed that the recommendations in the paper are too extensive and that the paper should follow a less detailed approach. IAIS Application Papers do not introduce new requirements and this explanation has been reinforced in the paper. Additionally, section 1.3 on proportionality and jurisdictional specificities makes clear that implementation of the guidance in the paper can be tailored to the context of a jurisdiction. Against the backdrop of these explanations, the volume of recommendations and suggestions expressed in the paper is retained – and this is consistent with how other IAIS Application Papers are drafted. Some recommendations have been changed to “are encouraged to” instead of “should”. Some recommendations have been redrafted to clarify the intended meaning.
- F. Some comments suggested different wording to express the intent and rationale of risk-based pricing, and some comments provided explanations, raised related considerations and/or proposed the removal of certain items in the list of examples of how to make risk-based pricing more fair. Section 2.1 of the paper still expresses the same key messages and examples as in the consultation version but has been redrafted in many sentences to incorporate much of the drafting feedback received and to explain more clearly. A sentence that previously purported to express the intent of risk-based pricing has been deleted (some comments proposed alternate drafting and some suggested its deletion). In response to some comments explaining and emphasising the importance of risk-based pricing, a new paragraph has been added in section 5 conclusion to reinforce the ongoing role of risk-based pricing and that supervisors balance the objectives of promoting fair access and fair treatment with also not distorting overall sound prudential management by insurers.
- G. Some comments raised concern that, in some places, the paper suggests collecting and/or using personal/demographic data inappropriately. A previous reference to “using demographic data” has been reworded and expanded for clarification at the first bullet in para 24. Additionally, it was always intended that implementation of the guidance, suggestions and recommendations of the paper be aligned with the context of the jurisdiction, including any legal obligations or limitations. An extra sentence has been added to para 12 to expressly cite that legal and privacy considerations regarding the use of personal information must be respected.

- H. Some comments on *Box 2* expressed that the relevant underlying practices of insurers may not be accurately described as “discrimination” (a term used in the consultation draft Application Paper) and are rather risk-based underwriting. The purpose of Box 2 is to bring to life a reader’s understanding of how some types of consumers may face difficulties in obtaining their desired insurance coverage relative to other consumers. Other sections of the paper elaborate on risk-based pricing (see sections: 2.1 Risk-based pricing; 5 Conclusion). The language used in Box 2 has been edited in favour of using the terms unfair treatment, difficulties and disadvantage (eg through inability to secure insurance coverage, or paying higher premiums for it), and does not intend to assert discrimination in a legal sense. Additionally, some acknowledgments have been added that practices may vary based on jurisdictional specificities or may be lawful in some jurisdictions. Some commentators perceived the language of “have historically faced discrimination in insurance coverage”, as connoting rampant discrimination of LGBTIQ+ people by the industry, with which they disagreed. The words “have historically faced discrimination” are now deleted and replaced with “can face unfair treatment and disadvantage”. Additionally, the description of such unfair treatment and disadvantage has been elaborated for clarity of meaning³.

³ One relevant reference on this topic is the 2022 report from Victorian Pride Lobby (Australia) [Worth the Risk: LGBTIQ+ experiences with insurance providers](#)



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General comments on the Application Paper				
1	Independent Consumer Advocate	U.S.	I applaud the IAIS for their work to better understand how diverse consumers can receive fairer treatment in insurance markets. I don't see anything in the paper that directly addresses ways that insurance supervisors can facilitate development of nontraditional insurance products to meet the needs of diverse consumers. I would suggest highlighting that information more clearly if it is in the paper and I missed it, or adding it.	The opportunity for supervisors to facilitate market development is addressed in section 4.5.2. It discusses enabling innovation and supporting alternative distribution channels. The IAIS is also, separately, working on updating its 2012 Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets.
2	German Insurance Association	Germany	<p>German insurers welcome the opportunity to comment on the draft IAIS paper. Of course, insurers are fully aware of their important role to protect as many people as possible against risks. At the same time, the principle of voluntary insurance can only work if insurers are allowed to differentiate between customers in accordance with their respective risk. However, insurers are by no means completely free in their decisions:</p> <ul style="list-style-type: none"> • Comprehensive EU and national legislation on antidiscrimination ensures that differentiation is not based on unlawful characteristics. • Further legislation on product governance ensures that the concerns of the target market at an abstract level are duly considered in the development of products and the design of distribution channels. The needs of the individual customer are taken into account by legal requirements on advice, as enshrined in the IDD. This is complemented by extensive information requirements. • The EU Accessibility Act aims to allow consumers with disabilities access without barriers to insurance products offered online. 	Comment noted

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3	General Insurance Association of Japan	Japan	<p>We basically agree with the intent of this application paper to provide guidance to supervisors on how they can use a DEI perspective to interpret and implement the existing requirements for fair treatment of consumers in ICP19, so that a diverse range of customers can benefit from it.</p> <p>Some comments are based solely on the position of certain stakeholders, consumers, etc. In addition, there are some descriptions where the rationale is not clear.</p> <p>Given that DEI topics continue to evolve and the circumstances in each jurisdiction vary, we hope that this application paper, which provides "actions to take" and "good practices", will reflect a variety of perspectives.</p> <p>Although no new requirements are introduced in this application paper, when incorporating a DEI perspective in insurance supervision, the proportionality principle should be considered, and overly detailed requirements and supervision should be avoided.</p> <p>There is a tendency to use "should" extensively throughout. We would appreciate consideration of replacing "should" with the more moderated phrase "encourage to", depending on the content.</p>	<p>Comment noted.</p> <p>Regarding proportionality and the use of "are encouraged to", please see IAIS response E above.</p>
4	World Federation of Insurance Intermediaries WFII	Global	<p>WFII appreciates the opportunity offered by the IAIS to comment on the draft Application Paper on how to achieve fair treatment for diverse consumers.</p> <p>WFII recognises the importance of DEI and the connection between DEI and positive outcomes in risk management, good conduct, healthy working cultures, and innovation. WFII is actively engaged with its members, based in different markets around the world, on the embedding of DEI considerations, not only in the governance and advisory work of insurance intermediaries but also in the governance of associations of insurance intermediaries.</p>	<p>Comment noted.</p> <p>Please see IAIS responses B, D, E above.</p> <p>In response to the suggestion that more extensive guidance be provided on the risks arising from the use of AI and ML, we point to the separate IAIS draft Application</p>

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			<p>It should be noted that DEI involvement varies from market to market and from intermediary to intermediary. Companies take different approaches depending on their size, resources and business model and are at different stages of designing and embedding DEI strategies within their business. We therefore appreciate that the IAIS recognises the importance of proportionality and jurisdictional specificities in this paper. We agree that the guidance, illustrations, recommendations or examples of good practice provided in this application paper should not supersede the proportionality principle.</p> <p>However, we suggest that the paper more prominently communicates to supervisors that when a DEI framework is implemented in their jurisdiction, a ‘one-size-fits’ all approach to the adoption of DEI by the insurance intermediaries is not possible. Applying a DEI framework of rules that would be feasible for a large firm, would not be effective or appropriate for smaller firms. We suggest that the paper clearly states that any measures that are introduced in a jurisdiction by a supervisor/ regulator to improve DEI should reflect the diverse nature of the firms within the scope of its regulation.</p> <p>We also believe that some of the recommendations mentioned in this paper to achieve fair treatment for diverse customers, are presented as requirements (“should”). We feel this is not in line with what is written in paragraph 3, that this application paper provides guidance on how supervisors, insurers and intermediaries can use a DEI perspective to treat customers fairly and does not introduce new requirements.</p> <p>We further noted that the terms consumers and customers, although defined separately and differently in Box 1, are used throughout the text as if they had the same meaning. We suggest that the use of these two terms is correctly done as this is important to understand the text correctly.</p>	<p>Paper on the supervision of artificial intelligence (consultation November 2024 – February 2025).</p>

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			<p>WFII also noted that the paper recognises that under a market-based system, consumers generally do not have a right to receive insurance products and services, nor do insurers have an obligation to provide them. This is not only correct for insurers but also for insurance intermediaries. They too do not have the obligation to provide services, although they will do their best to find insurance for everyone.</p> <p>In addition to the above, please allow us to make the following observations:</p> <ul style="list-style-type: none"> • Consideration should be given to a better balance of consumer protection vs operational realities & regulatory burdens faced by insurers. • Definitions- while the paper is clear that each jurisdiction will define their own vulnerable consumer based on local factors, it currently leaves the door open for potential overreach by regulators. • The paper seems to start from the assumption that insurance is a social operation, not everyone may agree with this. There is the choice of contract and with whom the contract is concluded. Intermediaries do their best to find adapted insurance for everyone. In respect of this theme it should also be considered that there are niche insurers. Perhaps the autonomy of insurers needs to be better balanced with the objects of the paper. • There appears to be a big focus on preventing discrimination in risk-based pricing: Will overregulation and consideration of all DEI touchpoints on risk-based pricing not lead to adverse selection and unsustainable pricing models (whole purpose of insurance)? The paper could also benefit from more guidance on appropriate statistical methods. • Having a very restrictive interpretation of fair treatment to vulnerable consumers might stifle innovation and lead to limitations on insurers to correctly assess and price risk. e.g. there will be several challenges that insurers might face in certain jurisdictions in collecting and analysing data for diverse consumer groups. <p>Collaboration (industry, cross-sector) of data on vulnerable consumers may only</p>	

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			<p>be accurate in mature data jurisdictions.</p> <ul style="list-style-type: none"> • The paper briefly touches on the issue of algorithmic bias and discrimination in the use of AI and ML but should consider providing more extensive guidance on this topic, its likely to be a major sore point in the future specifically in the context of this paper. <p>The title of the paper We propose to replace in the title of this Application Paper the term consumer by the term customer. According to Box 1: Consumers means the universe of actual and potential customers for insurance products. Customers means 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. The paper provides guidance to the fair treatment of those with whom insurers or insurance intermediaries interact, therefore the term to be used is customer. We suggest the following title: Application Paper on how to achieve fair treatment for diverse customers.</p>	
5	The Life Insurance Association of Japan	Japan	<p>The Life Insurance Association of Japan (the “LIAJ”) appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (the “IAIS”) on the draft Application Paper (the “AP”) on how to achieve fair treatment for diverse consumers.</p> <p>The LIAJ supports the IAIS policy to emphasize DEI. The LIAJ believes ensuring access to insurance for diverse consumers is indeed financial inclusion, and the LIAJ has been promoting efforts to achieve it. The LIAJ believes that, while taking into consideration differences from one jurisdiction to another, broadly sharing knowledge learned from practical efforts by insurers, who communicate directly with consumers, would be effective for the promotion of financial inclusion activities. The LIAJ recognises the AP as part of such activities and would like the IAIS to consider further opportunities for exchanging views and sharing good</p>	<p>Comment noted.</p> <p>We consider the paper is consistent with the points expressed on proportionality and the influence of local context.</p> <p>In relation to risk-based pricing in the paper, please see IAIS response F.</p>

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			<p>practices. Also, the feedback from the insurance sector could contribute to resolving DEI issues for other non-insurance sectors. As such, it could be effective to actively communicate good practices of the insurance sector, and to address DEI-related issues with society as a whole by sharing awareness and good practices with various international organisations, governmental bodies and legislative bodies. Furthermore, information from other non-insurance sectors could also be beneficial for the insurance sector so it could be shared by the IAIS.</p> <p>While the LIAJ supports the importance of DEI, it would be difficult to set a common definition or standard due to the difference in the mainstream consumer profile from one jurisdiction to another. As noted in subsection 1.3 on proportionality and jurisdictional specificities, the LIAJ would like to highlight that the content of the AP does not supersede the proportionality principle. Additionally, when identifying diverse consumers who require specific considerations or requirements to ensure fair treatment of diverse consumers, the circumstance, particularity, and needs of individual jurisdiction should be taken into account. Given this, the LIAJ would like to point out that the illustrations and recommendations set out in the AP could differ depending on jurisdictional contexts, specificities and needs.</p> <p>Furthermore, given the characteristics of the insurance business, the LIAJ believes the description of risk-based pricing in the AP needs to be considered carefully. To be specific, risk-based pricing is based on “the principle of equivalence” and “the law of large numbers”, which is the basis of ensuring insurers’ financial soundness. Should the risk-based pricing easily be denied, insurance reserves, which are considered as policyholders’ common property, would be paid disproportionately and frequently to certain customers. This will trigger adverse selection, which will damage the insurers’ solvency margin and business continuity.</p>	

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			Consequently, the insurers could face difficulties in claims payment to policyholders and financial system stability could be impaired. For this reason, when recommending considerations of DEI in risk-based pricing in the AP, the LIAJ would like the IAIS to clarify that considerations should be given to ensure the insurers' financial soundness, and that it does not pose adverse impact on policyholder protection and on the stability of the financial system, which are core mandates for supervisory authorities in most jurisdictions.	
6	APCIA	USA	<p>The American Property Casualty Insurance Association represents 1200 insurers and reinsurers that provide insurance coverage and risk management information to individuals, communities and enterprises around the world. We and our members highly value, and are fully committed, to working on how to best serve the relevant population to the extent practical and consistent with laws that are in place that define permissible and impermissible actions. Fundamental to successfully serving a diverse population is supporting diversity in the workplaces of insurers. As evidence of commitment and action, we call attention to our DEI Catalogue which is now being updated.</p> <p>Insurance is the transfer of risk from the customer to the insurer, so we especially agree with section 2.1 on the fundamental role and importance of risk-based pricing as the anchor for the fair treatment of all customers. Yet ,much of the paper seems to undermine risk-based pricing. And, as private entities subject to regulation by government and regulation through competitive markets, we also agree with section 2.2 on insurers' autonomy to decide the scope of business.</p> <p>Regrettably, the application paper goes beyond the standards established by law in many if not most jurisdictions and recommends actions that in some cases are contrary to law and in many cases are impractical or even impossible to implement. Efforts to comply would therefore likely create increased pressure on affordability and availability of coverage with negative consequences for all. We</p>	<p>Comment noted.</p> <p>IAIS responses to subsequent APCIA comments indicate that we consider the recommendations are reasonable. Relatedly, the paper makes clear the relevance of proportionality and local context to the local application of the recommendations – see section 1.3.</p>

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			therefore hope for more dialogue and a consensus on what is desirable, practical and consistent with public policy.	
7	Institute of International Finance (IIF)	United States	<p>The IIF and its insurance members appreciate the opportunity to comment on the IAIS Draft Application Paper on how to achieve fair treatment for diverse customers (Draft Application Paper or Paper). The IIF has previously submitted views on related topics in its response to the IAIS Draft Application Paper on Supervising Diversity, Equity and Inclusion (DEI).</p> <p>We support the IAIS's interest in achieving fair treatment for diverse retail consumers. A commitment to serving diverse retail consumers can have many positive impacts on customer outcomes and overall insurance market development and stability. In this letter, we offer some suggestions as to how the IAIS could reflect these important interests in a proportionate and context-dependent manner that also advances the important interests of insurers' commercial freedom and their ability to price products and services based on risk.</p> <p>Our comments on the Draft Application Paper focus primarily on the following themes:</p> <ul style="list-style-type: none"> • The importance of limiting the scope of any final Application Paper to insurers serving a retail customer base • Support for a principles-based approach that allows supervisors to reflect the local context of their markets • The importance of protecting insurers' ability to price for risk • The rigorous retail consumer protection rules currently in place in major insurance markets • Insurers' incentives to expand their customer bases to include diverse customers • The role of supervisors in advancing fair treatment of customers, including diverse customers <p>Overarching Comments</p>	<p>Comments noted.</p> <p>Regarding the scope being retail consumers, please see IAIS response A.</p>

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			<p>The scope of any final Application Paper should be limited to retail insurers. We ask the IAIS to clarify in any final Application Paper that the scope of application is limited to insurers serving the retail insurance market. This distinction is crucial, as wholesale business-to-business (re)insurers do not directly serve diverse customers, as defined in the Draft Application Paper. Moreover, applying retail fairness standards to the commercial (re)insurance sector could lead to serious market inefficiencies and a reduction in the availability and affordability of commercial insurance products and services. We encourage the IAIS to unambiguously reflect this distinction throughout any final Application Paper, with consistent references to "retail insurance" and "retail consumers."</p> <p>We support the development of a principles-based approach to the fair treatment of customers that allows supervisors to reflect the local market context. As acknowledged by the IAIS, the concept of "diverse consumers" can vary significantly across different cultural, social, and economic contexts. What constitutes a diverse consumer may be different across jurisdictions.</p> <p>A flexible, principles-based approach to the fair treatment of consumers, including diverse consumers, can be adapted to local markets and would reflect the fact that business practices are closely linked to the traditions, culture, legal regime and degree of development of the insurance sector in a particular jurisdiction. We encourage IAIS member supervisors to engage with insurers, intermediaries, and industry and consumer associations in their jurisdictions to better understand the needs and preferences of diverse consumer segments and to promote fair treatment of diverse consumers in a manner that reflects local markets. This collaborative approach can lead to more effective and sustainable market solutions for a particular jurisdiction.</p> <p>Given differences in local approaches, the IAIS should refrain from suggesting a</p>	

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			<p>'one-size-fits-all' approach to the treatment of diverse consumers. There is not a single 'good' policy for serving retail consumers, including diverse consumers, but rather a range of policies and actions that can promote fair treatment while taking into consideration the local context and the insurer's specific customer base.</p> <p>The IAIS should encourage supervisors not to take a punitive approach when addressing concerns related to the fair treatment of diverse customers, absent clear evidence of legally prohibited discriminatory practices. Rather, it should support the industry and supervisors as they explore how best to incorporate considerations of customer diversity into their policies and practices.</p> <p>Principles-based supervisory guidance can promote inclusivity in a manner that supports risk-based pricing. We appreciate the IAIS's recognition in Section 2.2 of the Draft Application Paper of the need for insurers' autonomy when determining product ranges and target markets based on their business models, risk appetites, and market considerations. It is crucial that insurance regulations allow for legitimate differentiation based on demonstrable risk factors, recognizing that accurate risk assessment and pricing are essential for a healthy, competitive insurance market.</p> <p>Risk-based pricing is a concept that is fundamental to insurance. It allows insurers to price risk accurately and to offer the lowest premiums to policyholders with risk factors that are reliable predictors of insurance losses and that directly affect the insured risk. Risk-based pricing allows insurers to expand their product offerings in a manner that supports consumers and the solvency of the insurance market.</p> <p>Risk-based pricing need not be incompatible with the development of new retail insurance products that address the needs and preferences of diverse consumer groups. Proactive engagement with consumers can facilitate the creation of</p>	

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			<p>products that meet specific population needs while effectively balancing accurate risk assessment and pricing. However, in a risk-based pricing model, some consumers will not be offered the products and services they wish to obtain at a price that they are willing to pay; this is not inappropriate discrimination absent legally prohibited practices.</p> <p>Prescriptive pricing limits can hinder the development of innovative products that meet both insurers' and consumers' needs and lead to adverse selection and, ultimately, higher premiums for all consumers. Limits on risk-based pricing can have negative impacts on insurance market competition. Market competition is a catalyst for the provision of new coverage and pricing options that appeal to a range of consumers and can facilitate the inclusion of options that particularly appeal to diverse consumers.</p> <p>Importantly, impeding insurers' ability to price for risk distorts market signals, potentially leading to moral hazard and undermining the insurance industry's role in promoting risk mitigation and prevention. We encourage the IAIS to engage with its members on the potential negative consequences for both insurers and consumers of inappropriate restraints on the pricing of insurance products and services.</p> <p>Insurance supervisors generally impose rigorous consumer protection standards on retail insurers. The fair treatment of retail insurance consumers, including diverse consumers, has long been a focus of insurance supervisors, most of which have adopted comprehensive consumer protection rules in their respective jurisdictions in accordance with local laws. The Draft Application Paper should be understood within the broader context of existing regulatory and supervisory frameworks, which are designed to safeguard consumers, ensure financial stability, and maintain public trust in the insurance system.</p>	

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			<p>Insurance regulations in major insurance markets expressly prohibit unfair or biased underwriting practices. Market conduct measures are also an integral feature of insurance regulation. These measures include strict solvency standards to ensure insurers can meet their financial obligations to policyholders, transparent disclosure of pricing and policy terms and conditions, and fair claims handling practices.</p> <p>Consumer protections that are intended to prevent unfair or arbitrarily biased underwriting or pricing practices should also recognize the necessity of evaluating consumers based on relevant risk factors and pricing products based on risk. Risk-based pricing helps to ensure that all retail consumers are treated fairly and equitably and allows insurers to maintain the actuarial integrity of their products, in the interests of fair and financial sustainable retail insurance markets.</p> <p>Expanding insurance products to serve a more diverse customer base is a strategic priority of many retail insurers. By broadening their customer base to include underserved or overlooked demographic groups, retail insurers can diversify their risk pools, tap into new revenue streams and drive market growth with more stable and predictable loss ratios. Further, the greater ability of diverse and underrepresented populations to access insurance products contributes to greater financial security and resilience across society and can reduce the financial and societal costs of uninsured losses.</p> <p>Insurers' interest in catering to a broad customer base, including diverse and vulnerable consumers, has led to deliberate efforts to improve the transparency and understandability of insurance policies, to expand accessibility through website design, mobile insurance platforms, multilingual documents and inclusive forms, as well as to innovate and develop more flexible, tailored insurance solutions to appeal to a wider demographic. Ultimately, it is in retail insurers' economic interest to embrace the diversity of their customer base, thereby</p>	

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			<p>fostering a more robust, dynamic, and sustainable insurance market that is better equipped to meet the evolving needs of a rapidly changing Global population.</p> <p>The role of supervisors in advancing fair treatment of customers, including diverse customers.</p> <p>Insurance supervisors have a unique opportunity to advance the fair treatment of customers, including diverse customers, through their stakeholder outreach, engagement, and collaboration. They can also play a critical role in advancing financial literacy about the need for and availability of insurance products and services. Finally, the IAIS can support their members through supervisory information sharing and flexible guidance that can be adapted to an IAIS member's local context.</p>	
8	Global Federation of Insurance Associations (GFIA)	Global	<p>GFIA firmly believes that all customers in the financial sector, no matter their age, job, income, gender, or race, should experience fair and equitable treatment as defined by regulatory frameworks, demographics, legal systems, and local consumer needs. Meeting the needs of diverse and vulnerable customers is a shared goal and all customers can best be served where there is a solvent, competitive and innovative insurance market.</p> <p>As evidence of GFIA's commitment to, and support of, practical and effective DEI efforts, we reference our adopted DEI principles. The principles may be found (here).</p> <p>The paper contains many recommendations on the role of insurers to achieve the fair treatment of diverse consumers and how the concept of risk-based pricing can co-exist with DEI considerations.</p> <p>GFIA supports these objectives, and also urges the IAIS to more broadly consider the role supervisors have to play in achieving these objectives. Some of the</p>	Comments noted. Please see IAIS responses D, E, G above.

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			<p>recommendations can only be achieved with supervisory support and approval. For example, designing products differently, providing multilingual materials, and developing new technologies, all of which require supervisory support before the industry can move forward on these objectives.</p> <p>GFIA also recommends the IAIS consider encouraging supervisors to monitor local regulations and conditions, such as extensive mandated coverages, that may inhibit insurers from offering products to certain market segments, including low-income diverse customers. The IAIS could encourage insurance supervisors to, where possible, take steps to address social factors/determinants that might make it harder to make insurance more available.</p> <p>When formulating an approach for inclusion, the IAIS should keep in mind that preventing unfair discrimination is relevant across the economy. In many countries, human rights legislation already prohibits a wide range of discrimination. The existing legislation should be borne in mind in formulating an approach for dealing with diverse customers.</p> <p>A further factor to consider is that insurers have to use differentiating particulars in risk-based underwriting, which enables insurers to provide customised insurance solutions that better meet the needs of each individual customer, including those from diverse backgrounds. Insurance pricing, insofar as this is not prohibited by local regulation, requires actuaries to apply risk-based differentiation while avoiding unfair discrimination.</p> <p>Insurers want to expand their market, grow their customer base and provide access to insurance to as many people as possible. Insurers are accordingly driven to find ways to offer insurance coverage to individuals, regardless of their race, colour, sex, gender, identity or expression, medical condition, etc. to serve a diverse and inclusive customer base. For example, medical advances are</p>	

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			<p>continuously monitored to determine if certain conditions that historically were not able to be covered are now an acceptable risk.</p> <p>GFIA members are concerned that the guidance could have unintended consequences and inadvertently harm the availability of innovative products, which is not the desired outcome. With that in mind, although GFIA strongly supports the general principles behind diversity, equality and inclusion, GFIA favours the development of voluntary DEI policies, governed by anti-trust laws, based on Global best practice examples. Any DEI policies should assure proportionality and confidentiality.</p> <p>GFIA recommends a less detailed, more principles-based approach, which we believe would promote adoption of the guidance. The paper, as currently written, contains a degree of detail that makes potential application difficult, and potentially impossible, in many markets. A more principles-based approach would accommodate the varying regulatory frameworks, demographics, legal systems and local consumer needs – which can all differ significantly between jurisdictions.</p> <p>The highly prescriptive recommendations include extensive new behavioural resources, testing and other requirements that are both unreasonably resource intensive and counterproductive to affordability. This raises the risk that the paper, as currently written, will disserve those very consumers it attempts to serve by jeopardising the affordability and availability of insurance.</p> <p>In addition, the collection and use of information relating to diversity and vulnerabilities is something that will have to be considered carefully in the context of data protection laws. Insurers must comply with all relevant jurisdictional data protection requirements regarding their dealings with the personal information of customers.</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			Information relating to diversity and vulnerability will often constitute special/sensitive personal data (e.g. data revealing race or ethnic origin, religious or philosophical beliefs, biometric data and data concerning health) which needs more protection. This type of data often requires meeting additional conditions prior to processing (e.g. explicit consent). Sensitive personal data can be legally subject to use restrictions: for example, in some jurisdictions insurers can lawfully use health information for underwriting purposes, but it may not use it for any other purpose unless there are lawful grounds expressly permitting such processing.	
9	Association of British Insurers	UK	<p>The AI welcomes the IAIS' efforts to achieve fair and equitable outcomes for diverse consumers by addressing systemic and idiosyncratic inequities, while considering cultural nuances, language preferences, and literacy levels. We appreciate the opportunity to respond to this application paper and have offered an executive summary, with some additional remarks expanded upon below.</p> <p>ABI members are committed to showing leadership on diversity, equity and inclusion. In November 2022, we published our DEI Blueprint (https://www.abi.org.uk/Globalassets/files/publications/public/diversity/abi-dei-blueprint.pdf) which is a sector-wide strategy outlining our aim to make the insurance and long-term savings industry the most diverse, equitable, and inclusive sector in the UK economy. The Blueprint is a concrete workplan that details a comprehensive strategy to ensure the insurance industry is accessible, fair, and responsive to the needs of all stakeholders in society.</p> <p>To be transparent about the targets we are working towards and the progress we are making, we published the first progress report (https://www.abi.org.uk/about-the-abi/dei-hub/dei-blueprint-progress-report-2023/) of the Blueprint one year after the commitment was made. This progress report was informed by our industry data on DEI, which has been collected annually since 2017. We also included</p>	<p>Comment noted.</p> <p>The relevant bullet in section 2.1 on risk-based pricing has been redrafted.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>practical case studies from member firms, as we believe sharing best practice will help deliver and support greater diversity and inclusion. We are confident that the Blueprint has a clear purpose and provides specific, targeted actions that firms can take when developing their DEI strategies to meet the objectives of regulator's consultations.</p> <p>Regulators in the UK have recently issued consultations on diversity and inclusion, namely FCA CP23/20 and PRA CP 18/23, which we responded to and welcomed. Regulators have an important role in ensuring that the businesses they oversee demonstrate good practices and behaviours, including in the context of DEI. As we await the outcome of the UK consultation, we continue to support the implementation of rules and guidance in this area to promote good practice.</p> <p>We acknowledge that, while the IAIS and several international organisations have done extensive work on financial inclusion and insurance availability, the development of DEI policy will require broad consideration and agreement at both the national and international levels. As a result, we welcome the IAIS' work in this area and will continue to support it.</p> <p>The ABI is broadly supportive of the recommendations in this application paper; however, there is some guidance that we have identified as requiring further consideration – either due to the practical challenges they present or that we considered the desired outcomes of this paper could be better achieved through additional clarifications. For example, we contend in our response to section 2.1 that it is essential to distinguish between historical and outdated data in order to prevent the paper from inadvertently suggesting that vital historical data is inherently out-of-date. In addition, we propose that, regarding section 3, firms should consider their consumer's understanding and financial literacy, and</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			whether they are aware of the terms of their contracts and what they are signing up for.	
10	The Geneva Association	International	<p>The concept of “diverse consumers” that is introduced in this draft Application Paper is unhelpful and should be withdrawn.</p> <p>The IAIS defines “diverse consumers” as being “people who are not part of the normative or mainstream consumer profile that insurers and intermediaries most often anticipate and cater to. Their needs differ from the normative or mainstream consumer profile due to characteristic(s) of diversity and/or circumstances of vulnerability.”</p> <p>This definition is broad – a huge range of consumers could be classified as “diverse consumers”. But it is not clear how the concept will add value in terms of improving customer outcomes. It does not appear that the term will provide customers any additional protections in practice beyond what is already accorded to them by the concept of “vulnerable customers”. “Vulnerable customers” is already a broad concept that requires firms to consider closely the personal characteristics of the policyholder and also to consider issues raised in this IAIS application paper such as whether policies and complaints processes are provided in the policyholder’s language. Indeed, in the UK, the FCA has stated that most adults will have at least one indicator of vulnerability.</p> <p>If the new concept of “diverse consumers” introduced in this paper is taken up by national supervisors, however, there is a risk of confusion and duplication in insurance markets. The terminology around consumer protection is already difficult to navigate, as insurers need to consider how they treat consumers, retail customers, and vulnerable customers. These categories sometimes do overlap and sometimes do not. It will be challenging for insurers to then also develop approaches for diverse consumers and understand how they can be distinguished</p>	<p>Comments noted.</p> <p>Please see IAIS responses C and E.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>from the other categories mentioned above. The introduction of a new concept that would not lead to material changes in customer protection, but would lead to increased compliance costs and confusion, is disproportionate.</p> <p>We recommend that the IAIS withdraws the term “diverse consumers” and instead focuses on how insurers can achieve fair treatment for all of their consumers, including vulnerable consumers.</p> <p>In addition, the content of this application paper seems to be focused on retail/ personal insurance. Many of the aspects do not apply to corporate insurance. It might therefore be helpful to clarify this point in the paper.</p> <p>More generally, throughout the document, there is a tendency to use “should” excessively frequently. We recommend considering softening this expression to “encourage to” where appropriate.</p>	
1 1	Insurance Europe	European Union	<p>Insurance Europe welcomes the opportunity to respond to the IAIS Application Paper on how to achieve fair treatment for diverse consumers. Diversity Equity & Inclusion (DEI) aspects are key priorities for the (re)insurance industry and Insurance Europe is committed to encouraging and promoting these values across the sector.</p> <p>Insurance Europe wishes to stress that the principle of voluntary insurance can only work if insurers are allowed to differentiate between customers in accordance with their respective risk. Risk-based underwriting is key for a well-functioning private insurance market. Not matching pricing to risks could increase premiums for consumers, thus disincentivising them from seeking cover, or threaten insurers’ solvency and their ability to meet their promises to pay claims.</p> <p>At the same time, EU insurers are by no means completely free in their decisions:</p>	<p>Comments noted.</p> <p>Please see IAIS responses D and E in relation to the comment that some recommendations are quite prescriptive and may be difficult to implement.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<ul style="list-style-type: none"> • Comprehensive EU and national legislation on anti-discrimination ensures that differentiation is not based on unlawful characteristics. • Further legislation on product governance ensures that the concerns of the target market at an abstract level are duly considered in the development of products and the design of distribution channels. The needs of the individual customer are taken into account by legal requirements on advice, as enshrined in the Insurance Distribution Directive (IDD). This is complemented by extensive information requirements. • The EU Accessibility Act aims to allow consumers with disabilities access without barriers to insurance products offered online. <p>Additionally, some of the recommendations in the application paper are quite prescriptive and may be difficult to implement without necessarily managing to achieve the intended objectives (i.e. on marketing and distribution). Overall, a less detailed, more principles-based approach would better promote the use of the application paper and further accommodate local circumstances and consumer needs.</p> <p>Finally, Insurance Europe supports efforts made by the IAIS and supervisors to work towards a greater inclusion of diverse consumers, consistent with the objective of maintaining a strong, competitive and innovative insurance market.</p>	
1 2	Lloyds Market Association	United Kingdom	<p>We welcome the IAIS highlighting the issues of diverse customers, the impact that this can have on individual consumer outcomes. This is aligned to the UK's Consumer Duty principle which has been implemented in 2023 and 2024.</p> <p>We acknowledge that this is guidance on existing ICP's and therefore does not in itself demand new rules. However the IAIS does need to be mindful of proportionality and the costs that layers of regulation bring. Inevitably any new guidance is likely to result in new application of the ICP's and this will impact on</p>	<p>Comments noted.</p> <p>Please see IAIS response D.</p>

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			<p>the regulatory burden for firms.</p> <p>It is important to recognise the important balance between the regulatory and compliance burden and the benefits that the burden brings to the customer. Regulatory burden can act as a barrier to access. This should be considered when updating the ICP's and guidance.</p> <p>It is important that these application papers consider wider ICP's. (e.g. How this interacts with ICP 7 & 8 and in particular ICP 8.6 and the expectations for premium adequacy, reasonableness and fairness to certified)</p> <p>There are also significant overlaps with many of the “should” recommendations which intersect with wider public policy.</p>	
Comments on section 1.1 Context and objective				
1 3	German Insurance Association	Germany	<p>Risk-based pricing and insurer autonomy</p> <p>Insurers are aware of their important role for the society and economy. Protection against different kinds of risks is important and should be encouraged and supported. Therefore, private insurance companies compete in markets for the favor of customers with attractive and beneficial products. Due to their profit motive, private insurers also have an intrinsic interest in offering innovative insurance solutions and attracting new customer groups, from which various groups can also benefit.</p> <p>For the private insurance sector, however, it is crucial that the principle of private autonomy is upheld and thus the right to shape private legal relationships according to one's own decisions. This is because – in case of private insurance – the collectives of insured persons must be completely self-supporting. At the same</p>	Comments noted.

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			<p>time taking out insurance by customers is voluntary. But self-supporting voluntary insurance is not possible if actuarial calculations cannot be made according to the respective risk. Therefore, impractical and unrealistic supervisory expectations vis-à-vis the private insurance sector should be avoided.</p> <p>In fact, deviating from the principle of risk-based insurance endangers the stability of private insurance. Risk is at the heart of insurance. The mechanism of insurance risk transfer relies on risk-adequate premiums. Decreasing premiums ignoring risk to relieve some consumer groups affects the ability of the community of insureds to bear the risk. The more this is done, the less stable insurance becomes. Therefore, relief of some consumer groups needs to be limited to the bare minimum.</p> <p>In addition, a general harmonization of premium levels would be accompanied by significant premium increases for the group of consumers whose individual risk is considered to be comparatively low. As a result, it is to be expected that they would decide against taking out an insurance contract due to high, disproportionate costs. However, without this group of “low-risk consumers”, who forms the foundation of the insured collective and are crucial for its overall financing, claims costs would rise. Further increases in premiums causing more “low-risk consumers” deciding against insurance cover would follow. This process finally would make the system of economically self-sustaining private insurance fail.</p> <p>This is the essential difference between private insurance and social/public insurance. Societies decide in accordance with their national specificities, which risks should mandatorily be cushioned for every individual. Many countries, especially in the EU, developed numerous instruments und institutions to correct market outcomes for the benefit of groups in society that are particularly vulnerable and in need of socio-political protection. Germany, for example, has a strong public insurance system for risks such as unemployment and illness. In</p>	

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			<p>these cases, the level of contributions is not linked to the individual risk, but rather to means and capabilities of the individual person to contribute (e. g. individual income). This is also acceptable, as this system is compulsory and does not necessarily have to be fully self-financing by the collective of insured persons but is subsidized by the public purse.</p> <p>Nevertheless, there is a “safety net” for consumers in the sector of private insurance, which is anti-discrimination law. Through these rules, countries decide on individual parameters which are of such elementary and fundamental nature, that they should not be used as a basis for differentiation (e. g. religion, race, gender). In the EU and in Germany, these injunctions are enshrined at constitutional level. However, these fundamental principles cannot be expanded to include all possible factors in which individual persons differ. In particular, the purpose of anti-discrimination rules is not to prohibit risk-based pricing in general.</p> <p>Legal measures on abstract and individual level</p> <p>As providers of risk coverage, i. e. assistance in times of need, insurers deal with consumers in particularly challenging situations on a daily basis – be it an accident or a damage to the house. Insurers are, therefore, aware of diversity among consumers and constantly address this diversity in the conduct of their business. A competitive market with a multitude of insurance providers and a wide variety of business models and products ensures that diverse consumer groups can find suitable products and providers. For example, some insurers may focus exclusively on digital distribution, which excludes consumers without online access. However, this is compensated by other insurers with a different business model.</p> <p>Nonetheless, offering insurance for consumers is a mass market, not a bespoke market. In order to be able to provide affordable products, insurers have to design</p>	

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			<p>their processes and allocate their resources efficiently. This naturally limits the possibilities to address the needs of every individual customer in every aspect. Regulation on diverse consumers must, therefore, maintain a balance between due regard for the needs of diverse consumers on the one hand, and the ability of insurers to provide affordable risk coverage on the other. Supervisory expectations vis-à-vis diverse consumers should take care not to conflict with expectations regarding product costs.</p> <p>In the EU, the legislator has resolved this balancing act through a combination of measures, which consider the needs of the consumers at an abstract and at an individual level:</p> <p>Abstract level:</p> <ul style="list-style-type: none"> • Regulation on product oversight and governance processes (POG) provides that insurers must, before marketing a product, determine its target market and verify that the product and the distribution channels suit that target market's objectives and needs. While the level of granularity of the target market varies depending on the product, POG processes take place at a strictly abstract and generalized level, i. e. not at the level of the individual customer. • The consumer must be provided with a wide range of mandatory information on the respective product and its characteristics. Some of this information contains data specific to the particular contract, other information is generic for all customers of this product. Nonetheless, in view of the millions of customers, the information documents are designed uniformly for a broad range of consumers. Insofar as permitted by regulation, insurers try to design the documents as consumer-friendly and accessible as possible. However, this task is often hampered by the legal requirements themselves, which require insurers to provide information in a level of detail which is not suitable for consumers. This is 	

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			<p>illustrated, for example, by the extensive information obligations standardized in the Sustainable Finance Disclosure Regulation.</p> <p>Nevertheless, the European legislator has also taken the needs of people with disabilities into account through the European Accessibility Act. According to this law, products offered online must not only be technically accessible in the future. Rather, it also requires that consumers are provided with simplified - and therefore easier to understand - information about a product. It is important, however, that this simplified information does not replace the regular mandatory information. It is conceived as a supplement to help consumers with special needs to access the services in question.</p> <ul style="list-style-type: none"> • Marketing communications are aimed at the general public and primarily serve the purpose of drawing attention to specific products. They are not individualized. Misleading communications are prevented by EU regulation on unfair marketing practices. The reference point of these rules is the average consumer of the group of consumers targeted by the communication. Therefore, while the assessment of the communication's fairness takes place at an abstract level, it is nonetheless based on the specific characteristics of the target group. Thus, specifically targeting diverse consumers with marketing communications which are misleading for them, but not for the average consumer in general, would be unlawful. <p>Individual level:</p> <ul style="list-style-type: none"> • The above said consumer protection measures are complemented by obligations vis-à-vis the individual consumer. EU legislation provides that before an insurance policy is sold, the demands and needs of the individual customer have to be enquired. The contract may only be concluded if it is in line with the customer's demands and needs. Additionally, under German insurance contract law, the insurance distributor must provide personal advice, insofar as this is necessary 	

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			<p>with a view to the individual customer. Specific characteristics of the consumer (DEI) are possible triggers for this obligation.</p> <p>In order to ensure the practicability of insurance regulation, it is important that the boundaries between abstract obligations (which are fulfilled without regard to specific characteristics of the individual consumer) and individual obligations (towards the particular customer) are maintained. Obligations such as POG and information requirements can only be complied with uniformly for all customers. We agree that insurers should reflect whether their processes take adequate account of the concerns of diverse consumers. However, the extent of this expectation should be in balance with the expectation that insurers provide cost-effective and affordable products.</p>	
1 4	World Federation of Insurance Intermediaries WFII	Global	<p>Paragraph 2 The term consumer, used several times in this paragraph, should be replaced by the term customer.</p> <p>Paragraph 3 We suggest inserting after paragraph 3 a new paragraph:</p> <p>To avoid incorrect expectations it should be clear that under a market-based system, consumers, including diverse consumers, generally do not have a right to receive insurance products and services, nor do insurers or intermediaries have an obligation to provide or distribute them.</p> <p>Paragraph 4 The term consumer, used several times in this paragraph, should be replaced by the term customer.</p> <p>Paragraph 5 We propose to replace in the last sentence of this paragraph the word should by</p>	<p>Regarding the terminology “consumer” or “customer” please see IAIS response B. Some have been changed.</p> <p>It is IAIS practice that “<i>should</i>” in an application paper expresses a recommendation; it does not connote a requirement.</p>

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			<p>may or are encouraged as this is a recommendation and not a requirement. The sentence then reads as follows: Insurers and intermediaries may/are encouraged (to) consider that diverse consumers are likely to be amongst their customer populations and be aware of various cultural nuances, language preferences, literacy levels and unique risks faced by different parts of the general populations they serve.</p> <p>The term consumer, used several times in this paragraph, should also be replaced by the term customer.</p> <p>Paragraph 6 According to paragraph 3, this Application Paper provides guidance and does not introduce new requirements. Therefore, the paper cannot provide guidance/recommendations which have the status of requirements (should...). All guidance/ recommendations provided in this paper should be considered as suggestions. We propose to change paragraph 6 as follows: All guidance in this paper is expressed as suggestions (that may be implemented) in service of the aim of ICP 19, which is to promote fair customer outcomes, strengthen trust and confidence, minimise reputational risk and create a level playing field in the insurance sector.</p> <p>In view of the above we believe that throughout the paper the term recommendations should be deleted and replaced by suggestions.</p>	
1 5	The Life Insurance Association of Japan	Japan	As defined in Box 1, diverse consumers/customers are defined as “people who are not part of the normative or mainstream consumer profile that insurers and intermediaries most often anticipate and cater to”. However, diverse consumers/customers are interpreted differently from jurisdiction to jurisdiction due to the difference in the image of the “mainstream consumer profile”.	Proposed change from “ <i>key opportunities</i> ” to “ <i>possible opportunities</i> ” in paragraph 3 not adopted. The adjective “ <i>key</i> ” is preferred. Describing that the paper has

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			<p>Additionally as stated in our comments to Question 1, based on the concept set out in the subsection 1.3 on proportionality and jurisdictional specificities, the LIAJ understands the illustrations and recommendations set out in the AP are not universal and can be addressed differently from jurisdiction to jurisdiction.</p> <p>As such, the LIAJ would like the IAIS to consider revising the statement in paragraph 3 from “the recommendations in this paper identify key opportunities to effectively implement the principle of fair treatment of customers...” to “the recommendations in this paper identify possible opportunities to effectively implement the principles of fair treatment of customers...”</p>	identified the key opportunities does not negate that the paper respects the proportionality principle and the potential for jurisdictional specificities in how those opportunities may or may not be implemented in a jurisdiction.
1 6	APCIA	USA	Paragraph 11, which we strongly support, notes the importance of differences in tradition, culture legal and privacy laws and regulations. Yet, many of the recommendations would go far beyond this recognition and impinge on local laws, in areas such as privacy and data protection.	Relevant laws of a jurisdiction (including privacy and data protection requirements) are respected by the paper – see section 1.3 on proportionality and jurisdictional specificities.
1 7	Global Federation of Insurance Associations (GFIA)	Global	<p>GFIA asks the IAIS to consider whether it is necessary to define “fair”, given its use throughout the application paper and how subjective “fair”, “unfair”, and “fairness” can be. Since fair is subjective, it should be noted by the IAIS that “fair” can have different meanings to different people, companies, and supervisors. It should be clearly stated that the definition of “fair” and “fairness” is governed by local laws.</p> <p>“Diverse consumers/customers”: It should be noted that some countries are multicultural societies that are characterised by their diversity. As an example, South Africa is known for its cultural and ethnic diversity (called by some the “rainbow” nation). This will make it more complex to identify diverse consumers. The fair treatment of customers should not necessarily require that insurers should always cater to diverse customers (who fall outside the mainstream consumer profile) or that diversity should always have to be taken into account when dealing</p>	<p>The description from ICP 19.0.2 and 19.0.3 on what is fair treatment is now included in Box 1.</p> <p>The sentence about different ways of thinking has been redrafted. These types of differences between consumers are relevant – for instance, how a person processes and understands information, how able they are to express their preferences and needs, how they</p>

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			<p>with a customer, specifically bearing in mind that products are designed for specific target markets (e.g. (a) par 61 that requires insurers to take diversity into account even if the diverse customer profile was not originally targeted or anticipated), (b) the recommendations under par 4.4.1 which require that tailored communications and assistance are provided to diverse customers, (c) par 69 that requires that the interests of diverse customers are considered when developing financial products), (d) the recommendations under par 4.4.2 which require insurers to conduct independent audits to evaluate risk management controls vis-à-vis the fair treatment of diverse customers and (e) the recommendations under par 4.4.4 which require that complaints policies/processes are as inclusive “as far as possible” to diverse characteristics and preferences (bearing in mind that “diversity” is defined as including “ways of thinking”).</p> <p>“Diversity”: GFIA believes that the definition may be too broad for this context, more specifically having to cater to different “ways of thinking”. This part of the definition is more appropriate for defining the term from a diversity and inclusion perspective in the workplace.</p> <p>“Vulnerable consumers”: The terms “personal characteristics and/or external circumstances” appear to exclude people who have personal circumstances or conditions (e.g. a physical disability or a mental illness). A mental illness, for example, is not ordinarily regarded as a “characteristic”.</p> <p>The definition of a vulnerable consumer is now much broader and relates to consumers in a wide variety of vulnerable circumstances, which is much more fluid and difficult to take account of. Here especially, the law of local jurisdictions should be emphasised.</p> <p>In order to appropriately support affected consumers, a high degree of flexibility is needed in supervision.</p>	respond to marketing/selling tactics.

	Organisation	Jurisdiction	Comment	Resolution of comment
1 8	The Geneva Association	International	<p>The concept of “diverse consumers” that is introduced in this draft Application Paper is unhelpful and we ask the IAIS to rethink this.</p> <p>The IAIS defines “diverse consumers” as being “people who are not part of the normative or mainstream consumer profile that insurers and intermediaries most often anticipate and cater to. Their needs differ from the normative or mainstream consumer profile due to characteristic(s) of diversity and/or circumstances of vulnerability.”</p> <p>This definition is broad – a huge range of consumers could be classified as “diverse consumers”. But it is not clear how the concept will add value in terms of improving customer outcomes. It does not appear that the term will provide customers any additional protections in practice beyond what is already accorded to them by the concept of “vulnerable customers”. “Vulnerable customers” is already a broad concept that requires firms to consider closely the personal characteristics of the policyholder and also to consider issues raised in this IAIS application paper such as whether policies and complaints processes are provided in the policyholder’s language. Indeed, in the UK, the FCA has stated that most adults will have at least one indicator of vulnerability.</p> <p>If the new concept of “diverse consumers” introduced in this paper is taken up by national supervisors, however, there is a risk of confusion and duplication in insurance markets. The terminology around consumer protection is already difficult to navigate, as insurers need to consider how they treat consumers, retail customers, and vulnerable customers. These categories sometimes do overlap. It will be challenging for insurers to then also develop approaches for diverse consumers and understand how they can be distinguished from the other categories mentioned above. The introduction of a new concept that would not lead to material changes in customer protection, but would lead to increased compliance costs and confusion, is disproportionate.</p>	See IAIS response C.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>We recommend that the IAIS withdraws the term “diverse consumers” and instead focuses on how insurers can achieve fair treatment for all of their consumers, including vulnerable consumers.</p> <p>In addition, the content of this application paper seems to be focussed on retail/ personal insurance. Many of the aspects do not apply to corporate insurance. It might therefore be helpful to clarify this point in the paper.</p> <p>More generally, throughout the document, there is a tendency to use “should” excessively frequently. We recommend considering softening this expression to “encourage to” where appropriate.</p>	
1 9	Insurance Europe	European Union	<p>Insurance Europe welcomes the IAIS approach to the topic which recognises the importance of proportionality and of considering local circumstances, especially the legal, cultural and historical context. This approach ensures that any actions taken by insurers or supervisors can only be effective when culturally appropriate and in line with local legislation.</p> <p>Insurance Europe welcomes that the IAIS recognises that insurers have the autonomy to decide on their product range and target market and are generally not required to meet the insurance needs of all types of consumers (2.2 Insurer's autonomy to decide the scope of its business and DEI).</p> <p>Insurance Europe welcomes that the IAIS intends to provide guidance on the existing Insurance Core Principles, and does not introduce new requirements (1.1 Context and objective).</p> <p>The EU legislation already ensures high level of consumer protection through the whole product life cycle. For example, the EU IDD introduced strong and effective conduct rules for the sale of all insurance products:</p>	Comments noted.

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			<ul style="list-style-type: none"> • Product oversight and governance (POG) rules require the identification of the target market of the product, product testing, distribution arrangements and product monitoring to make sure that products are and remain consistent with the demands and needs of the consumers who belong to the target market. • The sale of all insurance products is subject to a “demands and needs” test that requires distributors to make sure that products are consistent with each customer’s expectations. • A suitability assessment is carried out for advised sales of insurance-based investment products (IBIPs), establishing why the product recommended to the client is the best option for their situation (including their ability to bear losses) and objectives (including their risk tolerance). • A sustainability preferences assessment is also performed for advised sales of IBIPs, ensuring that consumers’ wishes in terms of environmental impact are fully considered. • Continual development of professional knowledge and skills and the requirement to undertake a minimum of 15 hours of professional development training per year to deepen and update the skills of distributors. This also increases the overall education and credibility of those providing insurance advice. 	
Comments on Box 1 Interpretation of key terms in this paper				
20	Independent Consumer Advocate	U.S.	<p>I would suggest expanding the examples (in the second sentence) of diversity to add access to technology, and access to financial services.</p> <p>I wonder in the third sentence if "ability" would be a better word choice than "disability."</p> <p>Also in the third sentence, I would suggest adding literacy to the list.</p>	Some, but not all, changes adopted.

	Organisation	Jurisdiction	Comment	Resolution of comment
			Regarding the interpretation of the term inclusion: While one aspect of inclusion may be a subjective feeling, that aspect is not easily measured objectively. I would edit this paragraph to read: When all people, regardless of their differences, encounter markets that strive to create a sense of belonging and are unimpeded by barriers (both physical and non-physical) such that they are enabled to fully participate and benefit. In the context of fair treatment, inclusion involves all consumers, notwithstanding their diversity, having access to insurance products, services, and resources and benefits, in markets in which they are accommodated and respected in their interactions with insurers.	
2 1	APCIA	USA	The definitions including “diverse consumers/customers” “Equity”, “Inclusion”, “Diversity” including “ways of thinking” are so broad as to be impractical to reasonably understand and implement. Meanwhile, the definition of “Vulnerable consumers” includes direction that financial services entities should act with “appropriate care” and know the “causes and extent of a customer’s vulnerability” which clearly implies a degree of ongoing knowledge and intrusion into the personal lives of vulnerable consumers that is unreasonable and impractical, and even potentially violative of legally protected privacy.	The paper retains “ways of thinking” as one type of difference that can exist between people. In seeking to reinforce the relevance of this within the context of the paper, language has been added: <i>“Various reasons – spanning neurological, cultural and circumstance – can lead to consumers exhibiting diverse ways of reasoning, processing information and making decisions (in section 3.1) and “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</i>

	Organisation	Jurisdiction	Comment	Resolution of comment
				<p><i>into account during the development and implementation of techniques used to promote products...” (paras 54-56)</i></p> <p>The explanation of Vulnerable Consumers is consistent with that adopted in several jurisdictions. The paper does not imply the intrusion and/or violation of privacy suggested in the comment. Some edits are implemented across section 4 with the intent of clarifying the intended meaning around catering to “anticipatable” needs and circumstances, proactively encouraging customers to self-report hardship or vulnerability, and acting appropriately once characteristics are known.</p>
2 2	Insurance Europe	European Union	<p>Insurance Europe welcomes the holistic approach taken by the IAIS in the interpretation of DEI.</p> <p>However, Insurance Europe wishes to stress that there is currently no universally agreed definition of vulnerability as it is considered a broad and complex concept whose key interpretation can vary across markets.</p> <p>The paper should therefore make it clearer that the right interpretation of vulnerable consumer needs to be decided at local level based on local</p>	<p>An addition has been made to the start of the definition of vulnerable consumer: <i>“In some jurisdictions this term has been defined in financial services law or regulation. For this paper, a general illustrative interpretation is:...”</i></p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>circumstances and factors, particularly the relevant anti-discrimination legislation.</p> <p>Finally, the proposed definition of diversity may be too broad for this context, especially the reference to “ways of thinking”. This part of the definition seems more relevant to DEI in the workplace, rather than fitting the context of diverse consumers.</p>	“Ways of thinking” is retained; see the response to comment #21 above.
2 3	Lloyds Market Association	United Kingdom	<p>The IAIS should consider if the use of “equity” as a concept is appropriate as this is not consistent with the legal frameworks in many jurisdictions.</p> <p>The interpretation of Vulnerability can be too wide. For example, the Financial Conduct Authority in the UK has put a very wide scope of vulnerability, with a concept of a spectrum of vulnerability. The FCA has further stated most adults will have at least one indicator of vulnerability. This makes it difficult for firms to focus on those that need the most support.</p> <p>It is important to differentiate between customers and consumers. Consumers being individuals and potentially smaller businesses. Wholesale insurance distribution can be overburdened if rules meant to protect individuals are applied to multinational customers.</p>	<p>Comments noted.</p> <p>The scope of this paper is retail consumers – see IAIS response A.</p>
Comments on section 1.2 Related work by the IAIS				
2 4	National Association of Insurance Commissioners (NAIC)	United States of America	<p>Para 8, as the status of the papers will change in the near future, suggest making the wording more evergreen:</p> <p>This paper is part of ongoing IAIS work in service of this. Other work includes:</p> <ul style="list-style-type: none"> • The IAIS Governance Working Group’s (GWG) application paper focused on the supervision of institutional DEI in insurers and the link between DEI within insurers and their governance (ICP 7), risk management (ICP 8) and corporate culture; and • The IAIS Financial Inclusion Forum’s (FIF) updated version of an application 	Updates have been made.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>paper originally published in 2012 on regulation and supervision supporting inclusive insurance markets.</p> <p>Suggest a reference in this section to work and/or the strategic theme of addressing protection gaps at the IAIS.</p>	
2 5	Insurance Europe	European Union	<p>Consumers are at the heart of the insurance business, and meeting their needs and expectations is essential to the success of the insurance industry. European insurers are embracing innovative practices to increase consumers' access to insurance and protection.</p> <p>We agree that impactful DEI efforts can be facilitated by making best practice guidance available. Insurance Europe has been taking a proactive approach to improving inclusivity by promoting industry initiatives, working to increase understanding of good practices, and by engaging with relevant experts.</p> <p>For instance, in 2022 Insurance Europe launched its DEI Hub showcasing the initiatives taken by the industry to promote equal access, opportunity and inclusivity in the workplace. This platform facilitates the sharing of material and good practices across Europe. Insurance Europe also encourages the IAIS to play their role in facilitating the sharing of best practices.</p> <p>In addition, Insurance Europe's Consumer Hub showcases many examples of innovative and consumer-centric initiatives by the insurance sector.</p>	Comment noted.
Comments on section 1.3 Proportionality and jurisdictional specificities				
2 6	World Federation of Insurance	Global	<p>Paragraph 10</p> <p>We suggest to add to paragraph 10 or in a separate paragraph, the following:</p> <p>Supervisors should recognise that a 'one-size-fits' all approach to the adoption of</p>	The first paragraphs of section 1.3 on Proportionality and jurisdictional specificities have been elaborated to expand on

	Organisation	Jurisdiction	Comment	Resolution of comment
	Intermediaries WFII		<p>DEI by the insurance intermediaries is not possible. The DEI considerations need to be applied in a way that is appropriate to a firm's size and complexity, and this needs to be done within the legal and regulatory framework applicable to different types of regulated firms in a particular jurisdiction. Applying a DEI framework of rules that would be feasible for a large firm, would not be effective or appropriate for smaller firms. Any measures that are introduced in a jurisdiction by a supervisor/regulator to improve DEI should reflect the diverse nature of the firms within the scope of its regulation.</p> <p>Paragraph 12 The term consumer, used several times in this paragraph, should be replaced by the term customer as we are dealing here with policyholders or potential policyholders and not with the universe of consumers.</p>	<p>what proportionality means (per the existing text in the Introduction to the ICPs) and to cite that the size, location and nature of the insurer or intermediary in question may inform the actions that a supervisor expects it will take.</p> <p>Regarding “consumer” or “customer” see IAIS response B.</p>
27	APCIA	USA	We strongly support the accuracy and wisdom of paragraphs 10 and 11. Regrettably, much of the rest of the paper could be read as inconsistent with those provisions.	Comment noted.
28	Global Federation of Insurance Associations (GFIA)	Global	<p>GFIA welcomes the emphasis given by the IAIS on proportionality for the consideration of local circumstances, tradition, culture, legal regime, and appropriate nuances. This offers a better balance that can yield better outcomes than a disproportionately subjective approach.</p> <p>In this connection, GFIA specifically wishes to emphasise its strong support for paragraphs 10 and 11. However, the extensive recommendations in the paper often not reflected in most jurisdictions' laws and regulation, run counter to those basic principles.</p>	Comment noted. See IAIS response E.
29	Insurance Europe	European Union	Insurance Europe welcomes the emphasis given by the IAIS to proportionality, advocating for the consideration of local circumstances and appropriate nuances. This offers a better balance that can yield better outcomes than a disproportionate arbitrary approach.	Comment noted.

	Organisation	Jurisdiction	Comment	Resolution of comment
			Acknowledging jurisdictional specificities will allow supervisors to align their individual requirements and expectations with the unique needs and contexts of their jurisdiction. In that regard, Insurance Europe welcomes the IAIS recognition that this application paper must be interpreted based on the relevant laws of the jurisdiction and the supervisors' mandate and powers.	
30	Lloyds Market Association	United Kingdom	We welcome this acknowledgement and the acknowledgement in the recent Executive Committee Dialogue session.	Comment noted.
Comments on section 1.4 Scope of this paper				
31	World Federation of Insurance Intermediaries WFII	Global	Paragraph 14, first sentence, we propose to replace the term consumer by customer.	See IAIS response B.
32	Institute of International Finance (IIF)	United States	As noted in our overarching comments, the final Application Paper would benefit from a clear statement in Section 1.4 that the guidance in the Paper is intended to apply only to the retail insurance market and does not apply to the commercial (re)insurance sector. Limiting the scope of the Paper to retail insurance is consistent with the clear focus on retail customers in ICP 19. Further, clarifying that the scope of the Paper is limited to the retail insurance market allows for more targeted and effective guidance that acknowledges the distinct characteristics and needs of individual consumers.	See IAIS response A.
33	Global Federation of Insurance Associations (GFIA)	Global	"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."	Change not adopted. The language used is as stated in the ICP.

	Organisation	Jurisdiction	Comment	Resolution of comment
			GFIA suggests that there be an amendment to the last sentence to read... “to treat customers fairly both before a contract is entered into and through to the point at which all obligations under a contract are satisfied”. GFIA members are of the view that the phrase “have been” gives the sense of the past while TCF should apply to contracts in the present and future.	
Comments on section 2.1 Risk-based pricing and DEI				
3 4	Independent Consumer Advocate	U.S.	<p>18. I suggest different wording for the last sentences in the opening paragraph as follows: However, insurers must ensure that the application of DEI-related principles in risk-based pricing is aligned with the goal of fair treatment of all customers, including those who are diverse. Examples of good practices to achieve this goal include:</p> <p>I also suggest different wording for the 2nd bullet: Examining whether the use of proxy measures of risk profile (eg postal or zip codes) are defensible or based on unfair biases and/or stereotyping, and if so, identifying alternative data points that will provide a more accurate risk profile.</p> <p>For the third bullet, I suggest changing "...factored into risk-based pricing models for the reason of enhancing fairness..." to "factored into risk-based pricing models to enhance fairness" for greater clarity.</p>	See IAIS response F and re-drafted section 2.1
3 5	General Insurance Association of Japan	Japan	<p>Paragraph 16: As it is inaccurate as an explanation of the intent of risk-based pricing, the second sentence should be deleted or revised as follows:</p> <p>The intent is to ensure that policyholders who are more likely to file claims for larger amounts and/or with greater frequency pay higher premiums. This helps to</p>	See IAIS response F and re-drafted section 2.1

	Organisation	Jurisdiction	Comment	Resolution of comment
			ensure that each policyholder pays fair premiums based on their level of risk, as well as to provide a stable offering of insurance products.	
3 6	The Life Insurance Association of Japan	Japan	<p>As stated in paragraph 16, insurers use risk-based pricing. This principle aims to ensure fairness among policyholders by pricing premiums according to risk, and to fulfil claim obligations, which forms the basis of insurers' financial soundness. If risk-based pricing be easily denied, insurance reserves, which are considered as policyholders' common property, would be paid disproportionately and frequently to certain customers. This will trigger adverse selection, which will damage the insurers' solvency margin and business continuity. Consequently, insurers could face difficulties in claims payment to policyholders and financial system stability could be impaired. While the LIAJ agrees on the importance of giving considerations to diverse consumers, it should be clarified that the recommendations concerning DEI in the AP do not override risk-based pricing requirement for ensuring the financial soundness of insurers. In other words, it should be considered on the premise of risk-based pricing and ensure that it does not pose adverse impact on policyholder protection and stability of the financial system, which are the core mandates for the supervisory authorities in most jurisdictions.</p> <p>In this context, the LIAJ believes the end of the first sentence of paragraph 16 "Insurer use risk-based pricing to determine the premiums that policyholders pay for their insurance coverage on the premise that insurers evaluate and measure the risk associated with insuring different consumers and set premiums that align with the level of risk", be followed by " and this is important for the business soundness of insurers". Also, the proposed statement in paragraph 18 "The application of DEI-related concepts to the fair treatment of consumers is not inconsistent with risk-based pricing" should be revised as "The application of DEI-related concepts to the fair treatment of consumers should be made consistent with risk-based pricing. To ensure that the goal of fair treatment of all consumers is achieved including those who are diverse, insurers may need to consider if</p>	See IAIS response F and re-drafted section 2.1

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>consumer data obtained and used in pricing truly reflect the risks of consumers and are free from unjustifiable biases.”</p> <p>Furthermore, the second sentence of paragraph 18 “However, insurers may need to think about the application of DEI-related principles in risk-based pricing to ensure it is aligned with the goal of fair treatment of all customers, including those who are diverse” should be followed by “, while taking into account the importance of business soundness.”</p>	
3 7	APCIA	USA	We strongly support paragraph 16 as both accurate and useful to apply to the rest of the provisions of the paper. However, paragraph 18 criticizes the use of postal and zip codes that are proven to measure risk and are permissible in many jurisdictions. The reference to postal and sip codes should be deleted.	See IAIS response F and re-drafted section 2.1
3 8	Institute of International Finance (IIF)	United States	<p>We appreciate the IAIS’s acknowledgement in Paragraph 18 that the application of DEI-related concepts to the fair treatment of retail consumers is not inconsistent with risk-based pricing.</p> <p>While we support efforts to enhance fairness in pricing, we would strike the reference to “the right for certain previous medical diagnoses to be forgotten after five years” in Paragraph 18. We understand that this reference reflects regulatory language adopted by a specific jurisdiction. As such, it does not reflect regulatory standards more broadly and may not be necessarily indicative of sound or best practice more generally.</p> <p>We remain concerned that jurisdiction-specific examples could be interpreted by other supervisors as best practice that should be adopted more broadly. At a minimum, the IAIS should clarify that these examples are not intended to be read as best practices that need to be applied more broadly.</p>	See IAIS response F and re-drafted section 2.1
3 9	Global Federation of Insurance	Global	The paper contains many recommendations on the role of insurers to achieve the fair treatment of diverse consumers and how the concept of risk-based pricing can co-exist with DEI considerations. GFIA supports efforts to promote this co-	See IAIS response F and re-drafted section 2.1

	Organisation	Jurisdiction	Comment	Resolution of comment
	Associations (GFIA)		<p>existence, but these initiatives should be coupled with an understanding about the role underwriting plays in the provision of affordable insurance products and its critical role in assuring solvency and supporting competition and availability of insurance.</p> <p>A key to insurance products is grouping individuals into “pools” of people with similar risks, to share the financial risks presented by premature death, disability, or long-term care. Grouping people together makes affordable protection against financial loss possible. The price people pay for coverage is based on many factors, such as age, sex, health, family medical history and smoking status.</p> <p>Insurers typically do not make decisions based on any one factor in a risk-based pricing model. They group together people with similar characteristics and calculate a premium based on that group’s level of risk. People with similar risks pay comparable premiums. Non-smokers typically pay a lower premium than smokers, for instance. The use of relevant information prevents an applicant with low risk being unfairly grouped with people who may have higher risks, which ensures fair pricing for all. Insurers base their decisions on data, which in many jurisdictions must be accurate, complete and appropriate for use. Seen from this perspective, initiatives like “right to be forgotten” are potentially problematic, because it could cause the pools to have more heterogenous risk profiles than planned, potentially resulting in increased premiums, unavailability of insurance products and adverse selection. If jurisdictions wish to retain risk-based pricing, this is an issue that must be addressed prior to implementing reforms that may prevent insurers from using relevant information for underwriting.</p> <p>Prohibiting access to complete medical information (including historic information), for example, creates the risk of an actuarial “loss spiral” that can occur when healthy people are driven out of the market by higher costs that insurers must charge if lower risk pools are eliminated, and risks are combined, which tends to lead to higher prices. Individuals with greater risk of future illness are more likely</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>to retain cover – even if the product becomes more expensive – which further concentrates the percentage of higher risk individuals in pools as healthier individuals decline to purchase or retain cover– contributing to higher losses. High coverage mandates can prevent persons with lower incomes from having access to insurance coverage.</p> <p>GFIA also agrees on the need to ensure that the evolving technology does not unfairly discriminate against consumers. (Para. 18) In the U.S., EU and elsewhere, regulators have taken steps to address these issues, including the National Association of Insurance Commissioners (NAIC) model bulletin on artificial intelligence, which acknowledges the transformative effect AI techniques can have across all stages of the insurance life cycle, but also emphasises the need to ensure that the technology is accurate and does not unfairly discriminate. To this end, the Bulletin makes clear that insurers are expected to adopt practices - including rigorous governance frameworks, risk management protocols and documentation. The Bulletin promotes accountability and consumer protection, while also preserving insurers' ability to leverage new technology that can help close the protection gap by increasing access to products and reducing friction in the life insurance sales process.</p> <p>GFIA agrees that underwriting standards should evolve to reflect advances in medical care and improvements in mortality rates. However, GFIA cautions against the assumption that it is always appropriate to ignore diagnoses that impact mortality and morbidity when underwriting long-term products. Individual life insurance policies are typically only underwritten at application, making it critical that insurers understand the amount of risk being transferred to the company. If a diagnosis is strongly correlated with a higher degree of mortality risk, it is appropriate to consider that risk within the context of the applicant's current health status and medical history, whether the diagnosis is 1 year old or 5 years old.</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>Premiums must be rational and reasonably connect to risk, based on differing characteristics.</p> <p>In order to be prudentially viable, insurance of differing risks cannot be equally priced. Some personal characteristics that may meet the IAIS definition, do indicate a higher-level risk that needs to be accounted for in pricing. Even when promoting diversity and inclusion, one needs to still consider risk in a way that ensures prudential sustainability and guards against moral hazard and adverse selection. Preventing moral hazard and adverse selection can feel inherently exclusionary. However, such pricing is necessary to sustain the pooled funds that support the payment of claims and ultimately protect insured people against risk. Consider the following assessment of when a discriminatory practice is reasonable, for the provision of insurance, from Zurich Insurance Co. v. Ontario (Human Rights Commission), [1992] 2 S.C.R. 321:</p> <p>n “A discriminatory practice is “reasonable” within the meaning of s. 21 of the Code (a) if it is based on a sound and accepted insurance practice, and (b) if there is no practical alternative. Practice is sound if it is desirable to adopt it for the purpose of achieving the legitimate business objective of charging premiums that are commensurate with risk. The availability of a practical alternative is a question of fact to be determined having regard to all the facts of the case. The practice, to meet the test of “bona fides”, must be adopted honestly, in the interests of sound and accepted business practice and not for the purpose of defeating the rights protected under the Code.”</p> <p>n In the context of insurance, discrimination can occur on bona fide grounds if discrimination is competed subjectively in good faith to offer insurance, and that there is objectively a sufficient rational connection between the discrimination, the risk, and the subsequent pricing.</p> <p>“Ensuring that evolving technology avoids undesired outcomes for diverse customers (e.g. the increasing use of AI systems by insurers to underwrite, price and service their products may, amongst other things, embed bias).” (Par. 18)</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>GFIA suggests the first line be changed to read “Ensuring that evolving technology avoids undesired outcomes for diverse customers (e.g., the increasing use of automated decision-making tools and AI systems by insurers...)”.</p> <p>Insurance pricing is difficult, because premiums are based on the ability of the insurer to accurately forecast its future losses, forecasts that rely on time-tested past data that has proven useful in predicting future losses.</p> <p>The use of data analytics, e.g., telematics, offers the opportunity to improve the accuracy of pricing as well as reducing discrimination across gender, age, location, medical conditions, etc.</p> <p>Paragraph 18 specifically calls out postal or zip codes, which is not appropriate in that those factors have been widely debated and ruled to be risk-based and legally acceptable in many jurisdictions.</p> <p>Risk-based pricing formulas cannot be devoid of differentiation, and insurers should still be able to differentiate between policyholders with respect to features that do not amount to unfair discrimination.</p>	
40	Association of British Insurers	UK	<p>We strongly agree with the paper's statement that applying DEI-related concepts to fair consumer treatment “does not contradict” risk-based pricing. However, we contend that some of the proposals made as to how insurers might align risk-based pricing with their intended goal of equitable treatment of all consumers, including those who are diverse, would benefit from further clarity to prevent practical challenges during implementation. Specifically, we refer to the proposal to “use current information instead of outdated data.” (2.1.18) Here, we would suggest the addition of an explicit clarification of the distinction between historical data and outdated data, as the current phrasing could be interpreted to be mistakenly implying that valuable historic data is by nature outdated.</p> <p>Insurance premiums are based on the insurer's ability to effectively forecast its</p>	See IAIS response F and re-drafted section 2.1

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>future losses, which are based on time-tested historical data that has proven advantageous in predicting future losses. The ability of insurers to understand risk is crucial to maintaining a sustainable market. If insurers are uncertain about the level of risk on their books, this can lead to increased premiums across the board to accommodate the potential for increased losses, which would inevitably have a negative impact on consumers, including those who are diverse. The detail in which insurers need to understand risk varies between different markets and different jurisdictions and can depend on the level of risk pooling vs personalised pricing in the market.</p> <p>For example, in the United Kingdom, life insurance policies are priced based on a consumer's risk at the application stage, and then the policy remains in place for an extended length of time, commonly around twenty years. This means that insurers must have the necessary health and lifestyle information to calculate reasonable premiums that appropriately represent the customer's risk throughout the term of the policy. Historical family and medical history are critical to evaluating long-term risk, and they enable insurers to extend coverage to those who otherwise be excluded without an accurate understanding of their circumstances.</p> <p>Secondly, whilst we agree that the use of data analytics, such as telematics, has the potential to increase pricing accuracy while also reducing discrimination, it is important to consider that precise and reliable data for diverse customers is not always available. We would caution, however, that the characteristics of diverse customers may mean that some covers present an inherently higher level of risk, and thus more precise data may ultimately result in less pooling, more individual pricing, and, as a result, higher premiums for customers with diverse needs. As such, we would suggest that case studies highlighting good practice in this circumstance would be valuable here.</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
4 1	The Geneva Association	International	<p>The IAIS notes that “The application of DEI-related concepts to the fair treatment of consumers is not inconsistent with risk-based pricing. However, insurers may need to think about the application of DEI-related principles in risk-based pricing to ensure it is aligned with the goal of fair treatment of all customers.”</p> <p>The language here is unduly reluctant about risk-based pricing. Risk-based pricing is pro-consumer. If insurers move away from risk-based pricing, or are encouraged to do so by their supervisor, consumers will be at risk of subsidising other consumers and facing higher prices as a result. We recommend that the IAIS endorses risk-based pricing and its pro-consumer consequences in a more robust fashion.</p> <p>More specifically, paragraph 16, the section starting with "The intent is to..." is inaccurate as an explanation of risk-based pricing. We suggest deleting this part.</p> <p>Additionally, regarding Paragraph 17, the section on risk-based pricing for Property and Casualty insurance seems to lack perspectives on automobile and liability insurance, but it can be recognized as an example of generally considered factors.</p>	See IAIS response F and re-drafted section 2.1
4 2	Insurance Europe	European Union	<p>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.</p> <p>Risk-based underwriting is key for a well-functioning private insurance market. Decreasing premiums ignoring risk to relieve some consumer groups affects the ability of the community of insureds to bear the risk. The more this is done, the less stable insurance becomes. In addition, a general harmonisation of premium levels would be accompanied by significant premium increases for the group of consumers whose individual risk is considered to be comparatively low. As a</p>	See IAIS response F and re-drafted section 2.1

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>result, it is to be expected that they would decide against taking out an insurance contract due to high, disproportionate costs. However, without this group of “low-risk consumers”, who forms the foundation of the insured collective and are crucial for its overall financing, claims costs would rise. Therefore, not matching pricing to risks could increase premiums for consumers, thus disincentivising them from seeking cover, or threaten insurers’ solvency and their ability to meet their promises to pay claims.</p> <p>Access to financial services for all consumers is important. And insurers’ access to consumer data is also necessary. Depriving insurers of this access will increase the uncertainty around the likely losses in the pool of risks, potentially leading to insufficient reserves to pay claims. This forces insurers to increase premiums for everyone to make sure that there is enough money to pay an uncertain level of claims. Higher premiums, combined with a potential decrease in benefits, could in turn mean that fewer people choose or can afford to take out cover.</p> <p>The application paper also mentions that insurers could use outdated data instead of current information. In this respect, Insurance Europe wishes to point out that EU insurers have an obligation under EU rules (Solvency II Directive) to guarantee the appropriateness, completeness and accuracy of all the data used in the calculation of their technical provisions. This includes detailed data accuracy/quality requirements.</p> <p>The IAIS draft also refers to the right for certain previous medical diagnoses to be forgotten after five years. While Spain and France have set a five-year period for their right to be forgotten (RTBF) mechanisms – covering cancers in Spain and both cancers and hepatitis C in France under specific conditions for loan insurance products – the other EU countries with RTBF have longer periods (7, 8, or 10 years) that predominantly focus on cancer. Additionally, EU co-legislators have established a period of up to 15 years for cancer in relation to consumer</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>credit insurance, as part of the review of the Consumer Credit Directive.. A unique 5-year RTBF for all cancers is not supported by the medical, actuarial and scientific evidence. However, the RTBF is not the only solution, and other alternatives exist which present lower risk of unintended consequences for consumers. For example, in Sweden, insurers must comply with the “obligation to contract” which entails that insurance companies may normally not refuse to provide, limit or increase premiums for personal insurance. This means that insurers must consider all applications irrespective of the medical history and to carry out individual risk assessments based on up-to-date medical and statistical data.</p> <p>The impact of the existing RTBF schemes on the availability of insurance products and the level of the premiums have not yet been assessed. The consequences may only materialise in the medium to long term as these RTBF mechanisms have been introduced recently and often pertain to medium- and long-term insurance products. Any initiatives depriving insurers from accessing consumers’ data, eg a right to be forgotten, must be carefully assessed and accompanied by safeguards such as insurers’ access to consumers’ information. This allows insurers to correctly quantify actuarial risks in their portfolios and therefore limit the undesired effects of an RTBF. Allowing insurers’ access to consumers’ information also protects them from the risk of non-disclosure of material facts as illustrated in some existing RTBF schemes. The more a regulatory initiative, eg the RTBF, overlooks consumer relevant risks, the greater its impact on how insurers set prices and the likelihood of undesired consequences, including the withdrawal of the products most exposed to these risks, ultimately harming consumers.</p>	
4 3	Lloyds Market Association	United Kingdom	<p>It is important that appropriate risk-based pricing is maintained.</p> <p>Moving away from the ability to use risk-based pricing would result in cross-subsidy by customers. Material cross-subsidy would be inconsistent with expectations of fair value to the individual normative buyer and therefore any</p>	See IAIS response F and re-drafted section 2.1

	Organisation	Jurisdiction	Comment	Resolution of comment
			intervention in pricing should be considered a matter of public policy. Changes to the ability to risk price may not be compatible with the local regulatory landscape.	
Comments on section 2.2 Insurer's autonomy to decide the scope of its business and DEI				
4 4	Independent Consumer Advocate	U.S.	In Item 19, last sentence, I suggest alternative wording: The result of this commercial freedom may disadvantage diverse consumers when they are unable, across the total insurance market, to access insurance coverage that meets their needs.	Change adopted
4 5	General Insurance Association of Japan	Japan	Paragraph 20: Since we do not believe that "using demographic data to identify the extent to which they are serving diverse consumer segments, and to verify they are treating all customers fairly" is an appropriate requirement for insurers, we propose that the first bullet point be deleted for the following reasons: - Although the use of demographic data is mentioned, access to demographic data by insurers is limited. - We believe that unnecessarily collecting demographic data via policyholder surveys could lead to discrimination and be contrary to customer protection. In addition, the survey may include sensitive information that policyholders do not want to provide to insurers. Even if such a survey is conducted, it should be done with caution. Therefore, we believe it is not appropriate to be included in the application paper.	This bullet point has been re-drafted. See also IAIS response G.
4 6	World Federation of Insurance Intermediaries WFII	Global	Title of 2.2 We suggest to add to the title intermediaries. We propose the following title: 2.2 Insurer's and intermediary's autonomy to decide the scope of their business and DEI	Some changes have been adopted to reference intermediaries within this section of the paper.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>Paragraph 20</p> <p>We propose the following changes:</p> <ul style="list-style-type: none"> v To add in the first sentence the word intermediaries; v To add in the second sentence the words nearly unreasonable; v To add in the fourth sentence the word possible; v To replace in the first bullet, first sentence, the word using by may use; v To replace in the second bullet, the words challenging itself by encouraged (which is the same word as is used in paragraph 1) v To mention in the third bullet that when insurers and intermediaries are catering to diverse customers (...) they are encouraged to take measures such as... v To mention in the fourth bullet that the insurance industry is encouraged to adopt a shared... v To replace in the fifth bullet the sentence by: Supervisors engaging with insurers and intermediaries, to encourage their fair treatment of diverse customers. v To replace in this paragraph the term consumer, by the term customer; <p>This paragraph then reads as follows:</p> <p>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 nearly unreasonable societal expectation (in some jurisdictions the term “social licence” is used) that they will collectively deliver on this purpose for the benefit of all consumers. Further, the application of DEI-related principles to ICP 19 is supportive of the goal of a more inclusive insurance sector that has, in total, an available and accessible range of products and services appropriate for a diverse range of customers.</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>Possible ways to achieve this include:</p> <ul style="list-style-type: none"> • Insurers and intermediaries may use demographic data, community stakeholder engagement and policyholder demographic research to identify the extent to which they are serving diverse customer segments, and to verify they are treating all customers fairly, notwithstanding any diverse or vulnerable characteristics; • Each insurer and intermediary is encouraged to expand its product range and/or modify existing exclusions, to better meet the circumstances and needs of diverse customers; • When insurers and intermediaries are catering to diverse customers already within the customer pool they are encouraged to take measures such as designing their websites suitably, providing policy documents in multiple languages, using clear language, accepting less common names and genders on forms, offering a wide range of products to meet different needs and demonstrating a fair response to mental health concerns; • The insurance industry is encouraged to adopt a shared goal and committing to take action to broaden its inclusiveness. A shared goal, collaborative actions and joint 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 with insurers and intermediaries, as well as with industry associations to encourage their fair treatment of diverse customers and greater inclusion. 	
47	APCIA	USA	Contrary to paragraph 19, there is no reasonable requirement to provide insurance coverage to anyone, regardless of risk, as implied by this paragraph. Paragraph 20 contains statements that could be read to endorse the illegal collection of personal information and inappropriate collective activity under antitrust laws.	See IAIS response G.
48	Global Federation of Insurance	Global	GFIA welcomes the IAIS statements on the importance of insurers having autonomy with regard to their business models, operations and distribution channels. Insurers must be able to operate financially and competitively while still	Comments noted.

	Organisation	Jurisdiction	Comment	Resolution of comment
	Associations (GFIA)		<p>complying with legal obligations in the jurisdictions in which they operate. The paper contains many recommendations on the role of insurers to achieve the fair treatment of diverse consumers and how the concept of risk-based pricing can co-exist with DEI considerations. As noted above, GFIA encourages the IAIS to more broadly consider the role supervisors have to play in achieving these objectives. In some jurisdictions, designing products differently, providing multilingual materials, alternative disclosures, and developing new technologies all require regulatory approval before the industry can move forward on these objectives. GFIA encourages regulators to support innovation and technologies that are part of the solution by driving expanded consumer access and consumer affordability in the middle market and underserved communities. GFIA welcomes the opportunity to continue to partner with supervisors on these important initiatives.</p> <p>“Insurers and intermediaries catering to diverse consumers already within the customer pool by taking measures such as designing their websites suitably, providing policy documents in multiple languages, using clear language, accepting less common names and genders on forms, offering a wide range of products to meet different needs and demonstrating a fair response to mental health concerns;”.</p> <p>Catering for multiple languages may not always be easy. In the South African context, the most commonly used legal language is English. However, there are 11 official languages. Whilst the benefits of providing documents in multiple languages is appreciated, it will be challenging to cater to everybody. Current practice is to provide a summary/explanation of policy terms and conditions in languages that customers prefer, if requested. This may be provided verbally to the customer at the office of the insurer or through a call centre, rather than in writing. Our suggested approach is to use plain language for the common spoken language for business.</p> <p>Paragraph 20 critically ignores the law in some jurisdictions where the collection</p>	<p>Policy documents in multiple languages is retained within the list. In fact this is a requirement in some jurisdictions – eg New Zealand. The concern expressed can be eased by the realisation that it is cited within a list of examples of ways, not as a requirement, and the paper recognises proportionality and jurisdictional specificities.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			and use of demographic information is severely limited or prohibited. It also ignores the reality that there is often a need, as mentioned above, to have one official language to govern legal issues that may arise.	
49	The Geneva Association	International	Paragraph 20: In the first point, the use of demographic data is mentioned, but we would like to point out that access to demographic data by insurance companies is limited. Furthermore, collecting demographic data from policyholders indiscriminately may be at odds with data protection regulation and may not necessarily contribute to consumer protection. Therefore, it is not appropriate to require insurance companies to "verify how well they serve diverse consumers and ensure fair treatment of all customers" using demographic data.	See IAIS response G.
50	Insurance Europe	European Union	<p>Consumer protection is rightly at the core of EU legislation. The insurance industry firmly supports high-quality EU insurance regulation that protects consumers effectively and helps them to buy the right products. Insurance is based on trust, so a firm underpinning of appropriate regulation is essential for a well-functioning industry.</p> <p>In the EU, the POG requirements under the IDD, its Delegated Regulation on POG and the extensive guidance developed by the European Insurance and Occupational Pensions Authority (EIOPA) already offer solid safeguards to ensure that products are consistent with the demands and needs of the target market. Under the POG rules, an important step of the product approval process is the identification of the target market by the manufacturer. The notion of "target market" describes a group of customers sharing common characteristics at an abstract and generalised level to enable the manufacturer to adapt the features of the product to the needs, characteristics and objectives of that group of customers. An individual assessment is then performed at the point of sale, to determine whether an insurance product meets the demands and needs and, where applicable, whether an IBIP is suitable or appropriate for the individual customer or potential customer.</p>	<p>Comments noted.</p> <p>The example shared has been added in footnote 11.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>At the same time, Insurance Europe strongly agrees with the IAIS that insurers should have the autonomy to decide on their product portfolio and target market based on their business model, legal requirements, distribution strategy and market considerations. Insurers and intermediaries must be able to operate to pursue commercially viable businesses while complying with the legal obligations and restrictions of the environment in which they operate.</p> <p>However, the IAIS also implies that the result of such commercial freedom may lead to unfair treatment of diverse consumers. Nevertheless, the possibility to pursue commercially viable solutions based on risk-based underwriting allows for the development of more personalised solutions and has led to the provision of products and services directly aimed at more vulnerable consumers. For example, an EU insurer is in the process of launching an insurance product addressing the problem 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.</p>	
5 1	Lloyds Market Association	United Kingdom	<p>Firms should not be required to accept risks outside of their Board approved appetite for risk set in line with ICP 8. When considering the expectations of ICP 7.4, this could bear upon the ability to balance the interests of the competing stakeholders. This could then impact availability and cost of capital, which would impact the wider availability of insurance.</p> <p>The expectations expressed in 2.2 are in tension with the wider expectations of regulators to implement individualised risk pricing and greater data quality. The increase of individualised pricing and product design fair value assessment will inevitably lead to challenges in wider risk pooling leading to some customers being priced out of insurance.</p> <p>Greater data understanding is also likely to increase the propensity for insurers to</p>	Comments noted.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>risk select. This outcome may lead to wider protection gaps for those outside of the normative consumer profile.</p> <p>However, creating social tariffs or mandating cover may materially impact market function and reduce competition. Jurisdictions with similar mandatory coverage mechanisms have smaller markets and significantly greater premiums for average customer.</p> <p>Whilst some risk pools and non-avoidance agreements are entered into voluntarily by firms, for example in the UK this is required to issue valid motor policies; Solvency II currently prohibits NCA's from mandating levels of cover or the terms/price. Any change to this approach would require legislation to be brought forward to amend the directive.</p> <p>It is important that smaller niche products/providers are not pushed out of the market. Firms may choose not to write business lines rather than accept risks outside of their appetite.</p>	
Comments on section 3 Risk of unfair treatment of diverse consumers				
5 2	APCIA	USA	<p>The definitions including “diverse consumers/customers” “Equity”, “Inclusion”, “Diversity” including “ways of thinking” are so broad as to be impractical to reasonably understand and implement. Meanwhile, the definition of “Vulnerable consumers” includes direction that financial services entities should act with “appropriate care” and know the “causes and extent of a customer’s vulnerability” which clearly implies a degree of on-going knowledge and intrusion into the personal lives of vulnerable consumers that is unreasonable and impractical, and even potentially violative of legally protected privacy.</p>	Repeated comment.

	Organisation	Jurisdiction	Comment	Resolution of comment
5 3	Association of British Insurers	UK	<p>We support the paper's claim that poor outcomes result for diverse consumers when they are not effectively supported and enabled to make informed purchasing choices, for instance if they are unable to access and understand important information about insurance products. However, we would emphasise that it is critical for companies to consider customer understanding, such the financial literacy of their consumers and whether they understand what they are signing up for, as well as what is stated in their contract terms. Information should be clear and concise, and consumers should not have to go through many documents to obtain all of the information they require to be properly informed.</p> <p>To support our members in this, and promote good practice across the UK insurance sector, we work with Plain Numbers, an organisation committed to helping people who struggle with numeracy, which has helped promote financial inclusion across our membership by producing guidance on clear communication and financial literacy.</p>	<p>Comment noted.</p> <p>The point about effective provision of information to consumers is picked up within section 4.3.1 of the paper.</p>
5 4	Insurance Europe	European Union	Insurance Europe agrees with the IAIS that the local context (including legal, cultural and political) must play a key role in helping supervisors, insurers and intermediaries to determine whether different treatment is needed for certain consumers with diverse characteristics to secure their fair treatment in accordance with ICP 19.	Comment noted.
Comments on section 3.1 What do we mean by diverse consumers				
5 5	Independent Consumer Advocate	U.S.	<p>22. I would suggest expanding the examples (in the first sentence) of diversity to add access to technology and access to financial services.</p> <p>I wonder in the first sentence if "ability" would be a better word choice than "disability."</p> <p>Also in the first sentence, I would suggest adding literacy to the list at the end of the sentence.</p>	Changes partially adopted.

	Organisation	Jurisdiction	Comment	Resolution of comment
			23. I would suggest an edit to the second sentence: Local context (including legal, cultural and political) will play a role in helping supervisors, insurers and intermediaries to determine which consumers are diverse and whether different treatment is needed for certain consumers with diverse characteristics in order to secure their fair treatment in accordance with ICP 19.	
5 6	World Federation of Insurance Intermediaries WFII	Global	Paragraph 21 We propose to replace in the first sentence the words consumer profile in customer profile. Customer profile is also the term used in paragraph 2. Paragraph 23 We believe the term customers should be used in the second sentence. ICP 19 also refers to customer.	See IAIS response B.
5 7	Institute of International Finance (IIF)	United States	As noted in our overarching comments, maintaining a flexible approach to the definition of “diverse consumers” is important in order to accommodate different cultural, social, and economic contexts across jurisdictions. Encouraging the supervisory sharing of best practices and lessons learned across different jurisdictions could foster a more robust and evolving understanding of how insurance supervisors can facilitate an increasing awareness of the needs of diverse consumer groups, consistent with the local context.	Comment noted.
5 8	Global Federation of Insurance Associations (GFIA)	Global	GFIA agrees with the IAIS observations that local context should play a role in helping supervisors, insurers, and others to determine whether different treatment is needed for certain consumers with diverse characteristics. ““Diverse consumers” in this paper refers to people who are not part of the normative or mainstream consumer profile that insurers and intermediaries most often anticipate and cater to. Diverse consumers are not one homogeneous group. Instead, the focus of the concept is that there are people – due to their diversity characteristics and/or circumstances of vulnerability – who have needs	Comment noted. The term “ <i>condition</i> ” has been added. Various edits have been made to the paragraph (now para 26) expressing the types of consumer differences, including to modify

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>that differ compared with the needs of the normative or mainstream consumer profile.” (Par. 21)</p> <p>GFIA suggests adding the word “conditions” into the sentence, so it reads: “due to their diversity characteristics, conditions and/or circumstances of vulnerability ...”.</p> <p>“Characteristics that make these consumers different may include, but are not limited to, age, disability, medical conditions/history, ethnicity, gender, national origin, language, religion, sexual orientation and cultural, educational or socio-economic background. Consumers may also differ from each other in their ways of thinking, including, but not limited to, having different ways of reasoning, processing information and making decisions. Which characteristics constitute a diverse consumer versus a typical mainstream or normative consumer depend upon the local context and particular situation.” (Par. 22)</p> <p>GFIA suggests the removal of the word “characteristics” at the start of the paragraph and recommend that the paragraph should read as “Consumers’ differences may include, but are not limited to, age, disability...”.</p> <p>Further, the last sentence should also be changed to “the constitution of a diverse consumer versus a typical mainstream consumer...”.</p> <p>“This paper does not designate a certain “diverse consumer” profile that must be treated in a defined way, nor does it aim to exhaustively define all possible characteristics of diverse consumers. Local context (including legal, cultural and political) will play a role in helping supervisors, insurers and intermediaries to determine whether different treatment is needed for certain consumers with diverse characteristics in order to secure their fair treatment in accordance with ICP 19. Furthermore, changes over time or changes in circumstances may create new classes of diverse consumers or change the treatment necessary to achieve a fair outcome.” (Par. 23)</p>	the start of the sentence as suggested.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>GFIA suggests the removal of the word “characteristics” from the second line and change the sentence to read “... define all types of diverse consumers.”</p> <p>GFIA further suggests the removal of the word “characteristics” from line 5 to change the sentence to read “... certain diverse consumers in order to secure...”. ““Vulnerable consumers” are people especially susceptible to harm due to personal characteristics 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 a customer’s vulnerability. Although everyone is at risk of becoming vulnerable at some point in their life (e.g. survivor of a natural disaster or someone experiencing a distressing life event), diversity characteristics or situational circumstances can increase this risk. In recent years, some supervisors have established different expectations for the fair treatment of vulnerable consumers.” (Par.24)</p> <p>GFIA suggests adding the word “conditions” in the second line after the word “characteristics” so that the sentence reads “characteristics, conditions and/or external circumstances.”</p> <p>“Depending on local specificities applicable to these terms, diversity and vulnerability may frequently intersect and, in some jurisdictions, all vulnerable consumers may be considered to be diverse insofar as their needs are different from the normative or mainstream consumer profile.” (Par. 25)</p> <p>As an example, in South Africa, the concept of financial “resilience” is closely related to vulnerability as a large majority of customers could be classified as “financially vulnerable” and financially uneducated. This would mean that most customers could be classified as vulnerable to some extent. The needs of the majority of customers would accordingly in many cases are not different to the mainstream consumer profile.</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			The unrealistic aspects of the paper are epitomised by its language in paragraph 22 on “ways of thinking” and paragraph 24 on “causes and extent of customer’s vulnerability.”	
59	Lloyds Market Association	United Kingdom	<p>It is not clear how this proposal fits well with the concept of target markets being used within established product governance expectations.</p> <p>This may be because the paper covers both the operational service implications of catering to those with diverse needs, but also some aspects of exclusion because of those characteristics.</p>	Comment did not propose any particular change.
Comments on section 3.2 How unfair treatment arises				
60	Independent Consumer Advocate	U.S.	Second bullet under Item 26. I would add technology to the list of barriers at the end of the last sentence.	Adopted.
61	General Insurance Association of Japan	Japan	<p>Because this section is considered to be prepared based solely on opinions from consumer groups and includes statements that are definitive and one-sided, we suggest the following:</p> <p>Paragraph 26 (first bullet point): While it is stated that “insurers and intermediaries have only a limited understanding of the needs and preferences of diverse consumers” is the cause of cases where diverse consumers’ needs are not met, but the lack of understanding is not the only cause. As stated in Section 2.2, private insurers operate to pursue commercially viable businesses and it is a natural course of action for a private insurer choosing not to underwrite specific risks, as a result of understanding such risks. Therefore, we request that the second sentence be deleted.</p> <p>Paragraph 26 (second bullet point): Since the same level of service should be</p>	<p>Now para 29.</p> <p>First bullet: change not adopted.</p> <p>Section 2.2 already explains that some consumers may be disadvantaged by the result of insurers’ commercial freedom to decide which risks to underwrite and then elaborates on the tension between this commercial freedom of each insurer (absent some local requirement otherwise) and the overall societal desire that needed insurance coverage is available. By contrast,</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>provided to all consumers, we suggest deleting "especially" in the second sentence.</p> <p>Regarding the statement "that may be challenging for individuals with disabilities or language barriers", we suggest adding that there are examples of insurers providing materials and video explanations for the visually impaired.</p> <p>Paragraph 26 (third bullet point): While the statement is intended to describe that "lack of access to insurance induces unfair trade", the expression "may struggle to access or afford insurance" indicates various cases of different natures, making the intent ("lack of access") unclear. While we understand that there are cases where low-income individuals cannot afford insurance premiums, this in itself is not unfair treatment. Therefore, we suggest amending the phrase to "may struggle to access insurance" by deleting "or afford".</p>	<p>the first bullet in section 3.2 describes what is regarded as an unfair reason for consumers ending up with insurance coverage that does not provide them value and/or is unsuitable.</p> <p>Second bullet: The focus of this text is on highlighting the problem/issue, for this reason mention of insurers providing materials and video explanations for the visually impaired (ie solutions) has not been added here. Instead, it has been added as a footnote to the relevant recommendation in section 4.3.1.</p> <p>Third bullet: "or afford" has been deleted as suggested.</p>
6 2	World Federation of Insurance Intermediaries WFII	Global	<p>Paragraph 26</p> <p>We propose to replace the first part of the second sentence by the following: this can arise when insurers and intermediaries have received limited information from the diverse customers about their insurance needs and preferences and have therefore limited understanding of their needs and preferences (...)</p>	<p>Change not adopted.</p> <p>What is relevant in the scenario described in the sentence is that the insurers/intermediaries have a limited understanding of the needs and preferences of the consumers, not why this is the case – ie not necessary to add to the sentence that it's because they asked but didn't receive such</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
				information, or it's because they don't have an effective process for asking such information etc. Section 4 of the paper goes into recommendations for correcting/overcoming the scenario.
6 3	Institute of International Finance (IIF)	United States	The insurance industry has long recognized that serving diverse consumers effectively requires a proactive approach to avoiding and correcting unfair treatment, such as those described in Section 3.2 of the Paper. As such, we support the inclusion of Graphic 2 regarding how to implement ICP 19 to promote the fair treatment of diverse consumers.	Comment noted.
6 4	Global Federation of Insurance Associations (GFIA)	Global	<p>Paragraph 26 highlights the need to close the protection gap by providing improved access to coverage. GFIA agrees with the premise – closing the protection gap is a priority for the industry.</p> <p>GFIA agrees that consumers deserve to have coverage that is generally suitable for their needs and circumstances.</p> <p>Financial literacy is an important aspect and consideration to make sure the consumer understands what they are signing up to and what is included in simple terms within their contractual terms. It is acknowledged that improving financial literacy will go a long way in accelerating financial inclusion and accessible insurance. In a country like South Africa, where financial literacy is a challenge, many initiatives are underway to address this issue.</p> <p>Increasing amounts of regulation are causing additional disclosure requirements which can result in information overload for consumers and have a detrimental impact on levels of financial literacy, considering the sheer volume of documentation that consumers now need to review as part of</p>	<p>Comment noted.</p> <p>Related to this comment, the paper:</p> <ul style="list-style-type: none"> - Section 4.5 considers the role of supervisors to facilitate inclusive products and markets, including enabling innovation, tailoring regulatory requirements, encouraging consumer education etc. - Section 4.3.1 encourages informing customers effectively, not providing vast amounts of information.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>commencement/new business, renewal (if applicable) and ongoing communications.</p> <p>There is also a persistent challenge in relation to overlap of regulations at both domestic and international levels, including in the EU, which can result in duplication of requirements or even contradictory standards. For example, the upcoming revisions to the Distance Marketing Directive will again pose this risk when local requirements within CPC are considered. All our members are subject to a number of differing regulations and requirements relating to the provision of services to customers, such as: charges, disclosures, remuneration, durable medium, marketing, cooling off periods, unfair contract terms, complaints and claims handling, etc. These services are covered by a plethora of regulations, some sector specific such as PRIIPS and the Health Insurance Acts but others such as Insurance Distribution Directive, Consumer Insurance Contracts Act, Direct marketing regulations, and the FSPO Act, which all have universal applicability. The overlapping and layering of regulation are an impediment to the effectiveness of information disclosure to consumers.</p> <p>Information should be clear and concise and not require the customer to search through numerous documents to determine all the information they require in order for them to be 'informed effectively'.</p> <p>Driven by legal and regulatory requirements, there are a number of documents that have to be provided to consumers at new business/inception of an insurance policy and renewal of the policy as well as pensions. It is questionable that all this information helps consumers understand their policies. A more streamlined documentation pack, including all key and important information, may help to strengthen a customer's product and policy comprehension. The provision of information and disclosure requirements should be proportionate to how complex the product is and should also serve to complement the consumer's level of literacy both digitally and financially.</p>	<ul style="list-style-type: none"> - Footnote 22 references developing video and interactive online content.

	Organisation	Jurisdiction	Comment	Resolution of comment
			Additionally, video, and interactive online content has improved greatly in recent years, and GFIA feels that this technology could be harnessed to the benefit of customers. Firms could use video to explain product offerings, provide disclosure information, etc. to customers in an approachable, digestible manner.	
6 5	Association of British Insurers	UK	By fostering a diverse workforce that mirrors their consumer base, firms can better design insurance products that cater to the specific needs of different target markets, for example gig economy workers, self-employed individuals, and lower-income groups, who often face exclusion from traditional insurance products due to affordability and employment structure issues.	Comment noted. The point about fostering a workforce coming from backgrounds that reflect society is expressed in the penultimate recommendation of section 4.1 and in the second recommendation of section 4.2.1.
6 6	The Geneva Association	International	<p>Paragraph 26, second point: We believe that the term "especially" in "This is especially true when dealing with diverse consumers, including beneficiaries who may need to make a claim" is unnecessary. All consumers should receive the same level of service, so we suggest revising it to "This is equally true when dealing with diverse consumers, including beneficiaries who may need to make a claim."</p> <p>Additionally, while it is mentioned that "procedures that may be challenging for individuals with disabilities or language barriers", there are certain examples of insurance companies providing materials for visually impaired individuals and product explanations via video. We recommend adding this information.</p> <p>Paragraph 26, third point: We recognise that the intention of this is to point out "lack of access to insurance leads to unfair transactions," but the phrase "may struggle to access or afford insurance" includes different issues and makes the intention unclear. Therefore, we suggest deleting "or afford" and rephrasing it to "may struggle to access insurance."</p>	<p>Now para 29.</p> <p>The focus of this text is on highlighting the problem/issue, for this reason mention of insurers providing materials and video explanations for the visually impaired (ie solutions) has not been added here. Instead, it has been added as a footnote to the relevant recommendation in section 4.3.1.</p> <p>Third bullet: "or afford" has been deleted as suggested.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
6 7	Insurance Europe	European Union	<p>Paragraph 26 highlights the need to close the protection gap by providing improved access to coverage. Insurance Europe agrees with the premise – closing the protection gap is a priority for the industry.</p> <p>Ensuring good outcomes and Value for Money (VfM) to all consumers is important for the insurance industry. As explained above, in the EU, the design and distribution of insurance products is already subject to a robust regulatory framework, based on the POG requirements established in the EU IDD, its Delegated Regulation on POG and the extensive guidance provided by the EIOPA. More specifically on IBIPs, EIOPA issued a Supervisory Statement (November 2021) and published a methodology to assess the VfM of the unit-linked market (October 2022). The provision of advice and information to consumers are also strongly regulated under the IDD, with a duty for distributors to act honestly, fairly and professionally in the best interest of their customers, and provide fair, clear and not misleading information. This means that the existing EU framework is providing a high level of consumer protection.</p> <p>At the same time, Insurance Europe agrees with the IAIS that poor outcomes can 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.</p> <p>The difficulty to navigate and understand such information might arise from the sheer volume of disclosures that consumers must be provided with at the pre-contractual stage due to applicable regulatory requirements.</p> <p>For example, under the EU regulatory framework, consumers receive an overwhelming number of 339 pieces of pre-contractual information for a sustainable IBIP. This makes it very difficult, if not impossible, for them to digest all the information and identify what is most relevant for them. Because the current</p>	<p>Comments noted.</p> <p>Related to this comment, the paper:</p> <ul style="list-style-type: none"> - Section 4.5 considers the role of supervisors to facilitate inclusive products and markets, including enabling innovation, tailoring regulatory requirements, encouraging consumer education etc. - Section 4.3.1 encourages informing customers effectively, not providing vast amounts of information. - Footnote 22 references developing video and interactive online content.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>disclosures are too complex, long and unappealing, they fail to meet their intended aim of helping consumers make better-informed decisions. And the problem is getting worse: new regulations such as the EU Retail Investment Strategy (RIS) further increase the number of disclosures, which could potentially reach 350, regardless of their impact on consumers' understanding and decision-making.</p> <p>Besides, the information provided is not always the most meaningful or appropriate. For example, the current EU regulatory framework focuses heavily on the disclosure of costs, leading to situations in which consumers are confronted with a bewildering array of various and confusing figures on potential costs. As an example, consumers are provided with around 30 figures on costs in the Key Information Document (KID) under the EU Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation. This encourages them to compare products solely based on cost, rather than considering the quality and benefit of the product.</p> <p>Moreover, the current EU rules are not always technologically neutral and do not ensure consumers can easily access and navigate product information electronically. For instance, the IDD and the PRIIPs Regulation require pre-contractual information to be provided to consumers on paper by default. It may only be provided another way – such as on a website or in digital format – by special request. Legislation should be amended to adapt to modern consumers' expectations and be more environmental-friendly: disclosures should be provided to consumers digitally by default, with the possibility for consumers to ask for a paper copy if preferred.</p> <p>To avoid information overload, disclosures should be clear, meaningful and reflect the specific characteristics of insurance, avoiding inconsistencies, overlaps and duplications. The disclosures format also needs to be engaging and flexible to adapt to consumer preferences.</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>Additionally, digital technologies could be harnessed to the benefit of customers. For example, the use of a layered format could help put consumers in control of the amount and type of information they wish to receive. To illustrate how consumers could have access to information in a digital and engaging way, Insurance Europe has developed the example of the Essential Product Information (EPI). To ensure disclosures are read and help consumers make decisions, it is important that the future European and international regulatory frameworks consider the benefits of similar approaches. Also, the use of icons, simple and direct language, and thorough consumer testing are important elements that should be considered by policymakers to make information consumer-friendly.</p> <p>It is also essential that insurers remain able to access consumers' data to better understand the needs and preferences of consumers.</p> <p>Finally, financial and insurance literacy is also crucial to make sure consumers understand the information they receive and ask the right questions at the right time.</p>	
6 8	Lloyds Market Association	United Kingdom	<p>Again, this is often driven by increasing segmentation and risk selection based on increased data granularity. Greater granularity and robust actuarial modelling is more likely to identify risk outliers within pricing models. This risk will also be increased by the use of AI through machine learning in actuarial pricing to further find segmentation of risk.</p> <p>For example, risk based pricing which fairly considers the risk of certain Pre-Existing Medical Conditions intersecting with customers on a low income, will inevitably lead to exclusion from cover. This therefore falls to issues of public policy and provision of subsidies and alternatives for those that cannot reasonably afford covers.</p>	<p>Comment noted.</p> <p>The topic of enabling innovation and the example of initiatives like sandboxes is mentioned in the paper in section 4.5.2.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>The UK has attempted to mitigate this in travel insurance through signposting to alternative providers who may evaluate the risk differently. However, this does not guarantee access to cover as identified in the recent evaluation of the remedy.</p> <p>It is not clear how the protection gap or increased premiums for diverse customers with risk profiles outside of the normative can be mitigated without greater intervention. This could be in the data points permitted to firms through public policy or anti-discrimination law. In the UK direct discrimination is permitted for some protected characteristics, e.g. disability, where this is a relevant and objectively justifiable risk factor.</p> <p>It may be that regulators could incentivise participation by reducing the regulatory burden for some products. This could be using a sandbox or by having thresholds at which more stringent granular rules apply. i.e. by number of policies in force and GWP.</p>	
Comments on Box 2 Examples of diverse consumers excluded from insurance products or encountering difficulties				
69	Independent Consumer Advocate	U.S.	Excellent addition.	Comment noted
70	General Insurance Association of Japan	Japan	<p>While Box 2 seems to have been drafted based on opinions from consumer groups, etc., it includes statements that are definitive and one-sided, the bases of which are not clear. We believe that different perspectives and concrete evidence should be incorporated. A clear distinction should be made between matters categorized as "discriminatory" and practices that are allowed at the discretion of each insurer in determining whether to underwrite a policy.</p> <p>Gender: Although it is stated that "Women have faced discrimination in certain</p>	See IAIS response H.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>insurance products", setting premiums and deductibles based on physical or health reasons is not discrimination. Premiums are set based on statistical data (L/R) by gender and types of disease specific to women, etc. As a result, there is a certain unavoidable difference between men and women (i.e. higher premiums for women), for which statistical evidence is in place.</p> <p>Occupation: Given that the prevalence of employment-based insurance products and health insurance plans vary according to jurisdiction, it is not necessarily true that diverse consumers are excluded from such insurance products.</p> <p>Sexual orientation or gender identity: Regarding the statement that "LGBTQ+ individuals have historically faced discrimination in insurance coverage", while the perception of those who feel discriminated against should be respected, the statement indicating that discrimination based on sexual orientation or gender identity is particularly rampant in the insurance industry should be amended.</p> <p>Disability, Pre-existing conditions and illness: Setting higher premiums and deductibles due to disability or pre-existing conditions is not in itself discrimination. Not taking pre-existing conditions and illnesses into account would on the contrary result in unfairness, as the risk is not properly assessed, and an unjustifiably low premium rate is applied. It is important that underwriting policies are updated based on the latest medical information.</p>	
7 1	APCIA	USA	We again raise the impropriety of criticizing the use of postal or zip codes as these are permissible in many jurisdictions and have been proven to help assess risk.	See IAIS response H.
7 2	Global Federation of Insurance Associations (GFIA)	Global	<p>In Box 2, the paper again calls out postal or zip codes without a recognition that they are entirely lawful in many jurisdictions. As such, GFIA recommends deleting the references.</p> <p>In Box 2, the current language regarding life insurance and gender is biased toward a particular legal framework and culture and does not sufficiently recognise legitimate differences in jurisdictions' culture, legal regimes and underwriting</p>	<p>See IAIS response H.</p> <p>We do not find the language in Box 2 inconsistent with the need to recognise jurisdictional specificities (per ICP 19.0.3 and</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>practices. As such, it is inconsistent with ICP 19.03, which notes that this diversity in legal frameworks and cultures should be taken into consideration, in order to achieve the outcome for fair treatment of customers.</p> <p>GFIA encourages the IAIS to consider revising or eliminating the reference to life insurance in recognition of the fact that supervisory approaches to the conduct of business can vary and it is appropriate to take that into consideration when drafting ICP 19 related guidance.</p>	as acknowledged in section 1.3 of the paper).
7 3	National Association of Insurance Commissioners (NAIC)	United States of America	Suggest moving the last paragraph ("These examples highlight...") to the beginning of the box as it provides a good explanation / context for the rest of the box's content.	Change adopted.
7 4	The Geneva Association	International	<p>Occupation: This may not be the case in certain countries. For instance, in Japan, workers' compensation insurance is a government-mandated insurance system, and the need for private sector responses for individuals in this field is very limited.</p> <p>Sexual Orientation or Gender Identity: The statement that "historically faced discrimination in insurance coverage" should be reconsidered. The feelings of those who perceive they have been discriminated against should be respected, but the original text implies that discrimination based on sexual orientation or gender identity is rampant in the insurance industry, which is not clearly substantiated. Therefore, we suggest deleting this part.</p> <p>Disability, Pre-existing Conditions, or Illnesses: Setting higher premiums or exclusions due to disabilities or pre-existing conditions is not discrimination. Ignoring pre-existing conditions or illnesses would result in unfairly low premiums and lack of proper risk assessment. It is important that underwriting policies are updated based on the latest medical information.</p>	See IAIS response H.

	Organisation	Jurisdiction	Comment	Resolution of comment
7 5	Insurance Europe	European Union	<p>Insurance Europe shares the IAIS' objective to ensure diverse consumers' access to insurance. The insurance industry's business model relies on receiving premiums and, therefore, insurance companies seek to insure as many people as possible by providing the best offers, and not to exclude any particular group of consumers.</p> <p>Based on private insurance principles, eg risk-based underwriting and mutualisation, consumers may, however, pay a higher premium when they present a higher risk according to relevant up-to-date data. When conducting applicants' risk assessments, insurers comply with national anti-discrimination regulations that allow differentiation between two individuals presenting different risk profiles, ultimately reflected in two different premiums.</p> <p>The access to insurance products and services also depends on individuals' income and other structural factors, eg their employment, the welfare system, etc, that are outside insurers' control.</p> <p>Insurance Europe therefore reiterates that any initiatives that move away from risk-based underwriting must be carefully assessed. While a right to be forgotten can facilitate the access to some insurance products for a particular group of consumers, eg some cancer survivors, this could also lead to unintended consequences, ie an increased premium for all consumers, including diverse consumers, unavailability of insurance products and adverse selection. As a result, these initiatives must be supported by proper impact assessment surveys and accompanied by safeguards such as insurers access to consumers' data for prudential reasons (as explained above), a specific product scope, national flexibilities, etc, to limit the risks of undesired consequences.</p> <p>Any regulatory initiatives providing preferential terms to one group of consumers, such as certain cancer survivors, must be carefully considered, as they could be</p>	Comments noted. See IAIS response H.

	Organisation	Jurisdiction	Comment	Resolution of comment
			introduced at the expense of all other consumers, including those with a similar elevated risk from different causes, eg heart disease. Finally, Insurance Europe remains engaged to ensure diverse consumers' access to insurance products while preserving risk-based underwriting and the interest of the community of insureds.	
7 6	Lloyds Market Association	United Kingdom	The UK has existing legislation around discrimination which controls when protected characteristics may be used. Insurers must be able to demonstrate this is legitimate and be based on credible information and data sources to justify a legitimate aim. https://www.equalityhumanrights.com/equality/equality-act-2010/your-rights-under-equality-act-2010/terms-used-equality-act#:~:text=the%20aim%20must%20be%20a%20real%2C%20objective%20consideration%2C,cheaper%20to%20discriminate%2C%20this%20will%20not%20be%20legitimate	Comment noted. See IAIS response H.
Comments on section 4 Implementation of ICP 19 to drive fair treatment of diverse consumers				
7 7	Independent Consumer Advocate	U.S.	Item 31: I would modify the first two bullets as follows: In 4.2 -- meeting the needs of diverse consumers and avoiding unconscious biases and discrimination in the product design, pricing and underwriting processes. In 4.3 -- selling and distributing appropriate insurance products to diverse consumers using ethical practices that include defined methodologies to consider the individuals' characteristics and circumstances to determine appropriateness.	Language modified to align with what is then elaborated in the subsections 4.2 and 4.3.
7 8	World Federation of Insurance Intermediaries WFII	Global	Paragraph 29 We propose to delete in the first sentence the words recommendations and should and replace them by suggestions and it by could or may as this sections does not provide requirements.	The previous paragraph 29 (now para 32) is redrafted, including to remove the sentence that previously began " <i>The intention is...</i> "

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>We propose to insert in the second sentence the following: The intention is to ensure that when insurers and intermediaries provide services to diverse customers, that they are treated fairly and that outcomes for diverse customers are equitable overall.</p> <p>We propose to add to the last sentence the following: However, while it may be desirable from a societal, reputational and /or trust confidence perspective, there is no requirement under ICP 19 that every diverse consumer will always find an insurance product that meets all their needs, nor that every consumer, diverse or not, has a right to receive insurance products and services, nor that insurers and intermediaries have an obligation to provide or distribute them.</p>	Proposed change to the last sentence of the paragraph not adopted. The proposal appears only to be a longer version of expressing the same conclusion.
79	APCIA	USA	Paragraph 29 has the crucially important statement that we strongly support "...there is no requirement under ICP 19 that every diverse customer will always find an insurance product that meets all of their needs." We also reiterate the impracticality of considering unique traits and characteristics.	The use of "unique" had not been intended to mean every single unique person as an individual. It is now differently expressed.
80	Institute of International Finance (IIF)	United States	We agree with the statement in Paragraph 29 that there is no requirement under ICP 19 that every diverse customer will always find an insurance product that meets all of their needs.	No action required.
81	Global Federation of Insurance Associations (GFIA)	Global	<p>GFIA agrees that unfair discrimination based on racial or ethnic status, sexual orientation or gender identity is always unacceptable. Meeting the needs of an evolving workforce is critical. GFIA encourages policymakers to review current rules, and as appropriate, update legislative and regulatory frameworks to ensure that gig workers can access retirement savings plans and financial protection products.</p> <p>GFIA agrees that the topic of DEI is evolving, and GFIA supports the paper's goals of promoting a proactive dialogue among market participants and supervisors and encouraging coordination between supervisors and stakeholders.</p> <p>While insurers strive to meet every customer's unique needs, GFIA strongly</p>	<p>Comments noted.</p> <p>It has been added that intermediaries can act as an agent to the customer.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>supports the language in paragraph 29 that there is no requirement that every consumer will always find a product that suits all of their needs.</p> <p>As regards paragraph 30, it has to be borne in mind that intermediaries do not always act as agent/service provider to the insurer. They may also act in their capacity as agent for the customer.</p> <p>In the paper, the potential for unfair treatment of diverse consumers arises due to some of the following factors:</p> <ul style="list-style-type: none"> n Product Design - Products may not meet the needs of diverse consumers or may inadvertently discriminate against them due to factors like coverage exclusions and pricing mechanisms. n Distribution and Sales - Inappropriate marketing, deceptive advertising, complex disclosures or unsuitable distribution channels may lead to unfair outcomes, especially for vulnerable consumers. n After-Sale Services - Claims procedures and complaint handling processes that are not inclusive may disadvantage diverse consumers, particularly those with language barriers, disabilities, or limited digital access. n Business Culture - Insurers and intermediaries are encouraged to embed fair treatment of diverse consumers into their business culture through leadership commitment, solid compliance and risk functions, constructive feedback mechanisms and training. n Product Design - Insurers should identify and consider the needs of diverse consumers during product development, avoid biases and discrimination, and proper product testing. n Distribution and Sales - Marketing communications and disclosures should be accessible and understandable to diverse consumers, and distribution strategies should be inclusive. n After-Sales - Insurers should provide tailored communication, monitor product performance for negative impacts, and have inclusive claims and complaints procedures. 	

	Organisation	Jurisdiction	Comment	Resolution of comment
8 2	National Association of Insurance Commissioners (NAIC)	United States of America	Para 29, it seems a word may be missing or this could be drafted more clearly otherwise: However, while it may be desirable from a societal, reputational and/or trust/confidence perspective, there is no requirement under ICP 19 that ensures every diverse consumer will always find an insurance product that meets all their needs.	Adopted by alternate method: <i>“that guarantees”</i> has been added instead of the proposed <i>“ensures”</i> .
8 3	The Geneva Association	International	We find it impractical to consider the traits and characteristics of diverse consumers/customers using this paper’s definition.	The use of <i>“unique”</i> had not been intended to mean every single unique person as an individual. It is now differently expressed.
8 4	Insurance Europe	European Union	Insurance Europe supports the paper’s goals of promoting a proactive dialogue on DEI among market participants and supervisors as well as encouraging coordination between supervisors and stakeholders.	No action required.
Comments on section 4.1 Embedding fair treatment of diverse consumers into the business culture				
8 5	General Insurance Association of Japan	Japan	Paragraph 35: As it is unclear what is meant by “suboptimal business practices,” specific examples should be added.	Now para 38. An example is added <i>“eg inefficient or insufficient execution of policies and/or processes”</i> .
8 6	World Federation of Insurance Intermediaries WFII	Global	Title 4.1 We propose to replace the word consumer by the word customer. Paragraphs 35 and 36 We propose to replace the word consumer by the word customer. Paragraph 37 We suggest adding the following to the first sentence: Building upon the guidance of ICP 19.2.4, taking into account the principle of proportionality and only considering when it is likely that the insurer or	Regarding “consumer” or “customer” see IAIS response B. Some have been changed. Change not adopted to limit the application only to cases when an insurer or intermediary is likely to interact with a wide range of consumers

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>intermediary will interact with diverse consumers, supervisors may particularly consider the following business culture attributes when determining whether an insurer or intermediary is well positioned to treat diverse customers fairly:</p> <p>We propose to replace in the bullets the word consumer by the word customer. Regarding the recommendations we propose the following:</p> <ul style="list-style-type: none"> v To replace the word recommendations by suggestions; v To change the first bullet as follows: When insurers and intermediaries provide services to diverse customers they should have policies to treat diverse consumers fairly, and the processes and controls to ensure the policies are effectively implemented. This involves proactively considering the needs of diverse customers when the business is likely to interact with them and reducing the risk of their unfair treatment. Making these policies public will promote transparency and accountability; v To replace in the second and third bullet the word should by could or may or are encouraged; v To add to the third bullet the following: (..) culture when they are likely to interact with diverse consumers v To replace in the fourth bullet the word consumer by customer and the word should by may be encouraged to be integrated; v To start in the fifth bullet with the sentence: When it is likely that insurers and intermediaries will interact with diverse consumers, they may create a safe environment (...). v To replace in the fifth bullet the word consumer by the word customer; v To add to the last bullet the following: (...). However, it should be noted that having a staff from sufficiently diverse background is often determined by the size of the company. Many intermediaries employ only a few staff members and are often family-based companies. These companies typically have much lower staff turn over and do not have many opportunities to employ new staff members. 	<p>Some changes have been made within the recommendations bullet list as a result of various consultation feedback.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
8 7	APCIA	USA	Fair treatment of customers and consumers is defined by law in most jurisdictions. While companies may exceed those standards voluntarily, the recommendations in this and other sections of the paper go far beyond legally established standards of “fair treatment” in many jurisdictions, including commentary on “unconscious bias”, or “proactively considering the needs of diverse consumers with whom the business is likely to interact” and then making policies public that embed those considerations. We also note that compliance with the second recommendation in paragraph 37 will be impossible to comply with unless the consumer self-identifies.	The recommendation is now expressed: <i>“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”</i>
8 8	Institute of International Finance (IIF)	United States	Section 4.1 should explicitly acknowledge that the development of an appropriate organizational culture is the responsibility of the insurer and will necessarily reflect the insurer’s business model, retail customer base (if applicable), and the local context, including local laws and regulations. The final Application Paper should acknowledge the potential challenges insurers’ face in identifying and defining diverse consumer groups due to jurisdictional privacy rules governing the collection of personally identifying data. Moreover, the ability of an insurer to use personal data when identifying whether there are diverse consumers within the target market depends on an individual’s willingness to self-identify as a diverse consumer.	Change not adopted. It is felt this point does not need to be expressly stated within section 4.1; the paper does not suggest anything to the contrary and various other passages of the paper cover it (eg section 1.3).
8 9	Global Federation of Insurance Associations (GFIA)	Global	The use of “ensure” throughout the paper is typically adequate, but at times adding the word “help” before “ensure” would clarify that insurers’ policies and procedures can’t always guarantee results. For example, in paragraph 37, in relation to having a strong compliance/risk function, GFIA recommends adding the word “help” before “ensure”. The sentence would read “compliance policies and internal controls can help ensure that instances of unfair treatment of diverse customers are prevented, detected and adequately and promptly addressed.”	Now para 40. Change adopted. <i>“Help”</i> has been added before <i>“ensure”</i> in this para

	Organisation	Jurisdiction	Comment	Resolution of comment
			Under recommendations, GFIA would like to add the word “help” before “ensure” under the first bullet point for similar reasons.	
90	National Association of Insurance Commissioners (NAIC)	United States of America	<p>Para 36, there are likely a number of ways to ensure fair treatment of diverse consumers, so it's not clear how this particular way was deemed the “most effective”; if this is based on some research, then it should be cited – otherwise, suggest: Active prioritisation of DEI considerations is an effective way to ensure fair treatment of diverse consumers.</p> <p>Para 37, second bullet, it is not clear what a “professional” complaints procedure is. Is this referring to a “formal” procedure? Suggest clarifying.</p>	<p>Now para 39. Language changed.</p> <p>Now para 40. The adjective to describe the complaints procedure is now “<i>robust</i>”.</p>
91	The Geneva Association	International	<p>In Paragraph 35, the meaning of “suboptimal business practices” in “because of inherent societal inequities, bias, or ignorance, or because of suboptimal business practices” is unclear and needs further clarification.</p> <p>Para 37; 2nd recommendation: unless a consumer self-identifies, it may be difficult to collect and analyze complaints data to this extent.</p>	<p>Now para 38. An example is added “<i>eg inefficient or insufficient execution of policies and/or processes</i>”.</p> <p>Now para 40. The recommendation is now expressed: “<i>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</i>”</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
9 2	Insurance Europe	European Union	<p>Insurance Europe agrees with the IAIS on the need to properly embed the fair treatment of diverse consumers in their business culture and secure the fair treatment of diverse consumers at each stage of the product life cycles.</p> <p>Additionally, Insurance Europe agrees with the IAIS that while it may be desirable from a societal, reputational and/or trust/confidence perspective, there is no requirement under ICP 19 that every diverse consumer must always find an insurance product that meets all their needs.</p>	Comments noted, comment does not require action.
9 3	Lloyds Market Association	United Kingdom	<p>We agree that culture and tone from the top are important enablers for this outcome. This highlights the interaction between ICP19 and ICPs 5 & 7.</p> <p>Care should be taken in proportionality of burden placed on insurers where products are specifically intended for customers which are not “mass market”. Where a product has a very small target market, perhaps only a few hundred likely policies, regulatory costs can quickly become significant per policyholder, making risk transfer through insurance less attractive.</p> <p>Our members traditionally specialise in niche and challenging risks. However, recent rule changes in the UK that require granular oversight have made some consumer facing products uneconomic to provide and therefore have been closed. We are actively working with the FCA on developing more proportionate rules for the London Market. A form of sandbox for niche risks with small target markets could be a solution.</p>	Comments noted. See IAIS response D regarding the paper’s acknowledgment of proportionality.
Comments on Box 3 Unconscious biases and stereotypes				
9 4	Association of British Insurers	UK	We would highlight that, while unconscious bias can be difficult to avoid, it can be forestalled and minimised through education, the hiring of a diverse range of employees, and a data-driven approach to myth-busting stereotypes.	A sentence on this has been added.

	Organisation	Jurisdiction	Comment	Resolution of comment
Comments on section 4.2 Ensuring the fair treatment of diverse consumers in product design				
95	Independent Consumer Advocate	U.S.	in Item 42, I question why the elderly and less digitally literate are singled out as examples. I would argue that those who have less knowledge and experience with insurance markets are equally vulnerable.	Now para 45. Change adopted to add <i>“and/or financially literate”</i> .
96	General Insurance Association of Japan	Japan	<p>Paragraph 39, 40: We suggest adding the following statements:</p> <ul style="list-style-type: none"> - Given the characteristics of insurance products, product designs that induce adverse selection should be avoided. What is expected from insurers in product design should be limited within such scope. - It is also necessary to design insurance programs to ensure that they do not result in a lack of protection for consumers other than "diverse consumers". <p>Paragraph 42: Concerns regarding the fear of charging unfair premiums to consumers who are less inclined to make comparisons are described. While unfairly charging higher premiums to such consumers with limited propensity is definitely inappropriate, the wording is misleading as it indicates that the issue is only about higher or lower premiums. The following sentence should be added at the end of this paragraph: It is appropriate to calculate premiums based on the content and extent of coverage, etc., for the needs of consumers.</p>	Drafting changes not adopted. Instead, para 43 (previously 40) now adds: <i>“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.”</i> ICP 19.5 requires insurers to take into account the interests of different types of consumers when developing and distributing insurance products.
97	APCIA	USA	Paragraph 41 is a good example of impractical, impossible and even illegal requirements relating to: the potential impacts on diverse consumers who may be part of the targeted consumer group, knowing the traits and characteristics of all potential consumers, and knowing the evolution of consumers who were not originally but who might become vulnerable. Paragraph 45 provides another example of impractical or impossible recommendations, as in this paragraph, where there is the implication that insurers know and take account of how diverse consumers process information.	Comments are disagreed with. The expression of the first recommendation at para 48 (previously 45) has been slightly edited to clarify its intended meaning, which we consider is reasonable: <i>“take into account those anticipatable needs and characteristics during the product</i>

	Organisation	Jurisdiction	Comment	Resolution of comment
				<i>design...". This should include coverage needs but also behaviours and ways in which they are likely to access insurance products and process information."</i>
9 8	Global Federation of Insurance Associations (GFIA)	Global	<p>Insurers want to provide as much choice for consumers as possible in the protection market and at affordable rates to the extent solvency and legitimate business realities are satisfied.</p> <p>The paper contains many recommendations on the role of insurers to achieve the fair treatment of diverse consumers in product design. While GFIA supports these objectives, GFIA encourages the IAIS to more broadly consider the role supervisors can play in achieving these objectives. In some jurisdictions, designing products differently, providing multilingual materials, alternative disclosures, and developing new technologies all require regulatory approval before the industry can move forward on these objectives.</p> <p>"The product may offer lower value to some consumers within the identified targeted consumers, because of their diverse traits and characteristics." (Par. 41) GFIA suggests adding the word "conditions" so the last sentence reads "traits, characteristics and conditions".</p> <p>The experience of our members has demonstrated that a one size fits all approach to the insurance market does not account for the unique nature of health, property casualty and life insurance markets within the wider market. When regulation for a line of insurance is adapted from or developed from sectors or products other than that line of insurance, it will not fully account for the intricacies and scope of the target insurance products.</p> <p>While GFIA generally agrees with paragraph 41, the three bulleted subparagraphs go too far in suggesting a product and its distribution should take into account the changing environments and less value due to a consumer's "diverse traits and characteristics".</p>	<p>The comments on the role for supervisors are relevant to section 4.5 of the paper on the role for supervisors in shaping the supervisory landscape and facilitating market development.</p> <p>Para 44 (previously 41) is retained with some language modifications.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
99	National Association of Insurance Commissioners (NAIC)	United States of America	Para 39, the statement of products being detrimental to certain consumers may be a bit too strong of a statement. Suggest clarifying.	Now para 42. Change adopted. It now reads: <i>"may not be appropriate and/or offer fair and/or desirable outcomes to certain consumers"</i> .
100	Lloyds Market Association	United Kingdom	Paragraph 41 appears contradictory, and speaks to the wider tension within the paper. Where the first two bullets apply and lead to foreseeable harm, it is likely that the diverse consumers should not be within the intended target market. They should also not be sold the product when the relevant demands and needs assessment is made for the individual.	Para 44 (previously 41) does intend to describe these undesirable circumstances to underscore that this is what risks happening if product design processes are not effective.
Comments on section 4.2.1 Identifying whether there are diverse consumers within the targeted consumers				
101	General Insurance Association of Japan	Japan	The 4th bullet point of Recommendations: We suggest revising the first sentence as follows, to clarify its intent: "Insurers should design clear criteria in policies and procedures to ensure that certain consumers can clearly understand the product and buy insurance products they truly need, based on the characteristics of the product (eg product complexity, coverage, eligibility, claims thresholds, etc)."	Change not adopted. This recommendation is focused on avoiding unsuitable sales as a responsibility expected of insurers.
102	APCIA	USA	Paragraph 46 implies knowledge of the needs of the paper's broadly defined category of diverse consumers, which is impractical and even impossible.	This para is no longer in the paper due to merging the former sections 4.2.1 and 4.2.2. Some edits within the new 4.2.1 aim to reinforce the intended meaning which is to pay attention to whether there are reasonably likely to be some different needs within the target group and if yes,

	Organisation	Jurisdiction	Comment	Resolution of comment
				<i>“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”.</i> It is not considered impractical or impossible to do this.
103	Global Federation of Insurance Associations (GFIA)	Global	<p>GFIA agrees that having staff with diverse backgrounds can improve outcomes. However, the related recommendation should encompass the proportionality principle – recognizing that size and geographic location may impact an insurer’s ability to recruit staff.</p> <p>Under the second bullet point under the recommendations, GFIA recommends adding “to the extent possible” after “backgrounds.” The sentence would read “It is also good practice for the staff themselves to be from sufficiently diverse backgrounds to the extent possible, because diversity...”</p> <p>“If the needs of these diverse consumers are not sufficiently considered, they are at higher risk of unfair treatment. This is because, due to their diverse characteristics, they:”</p> <p>GFIA suggests deleting the word “characteristics” so that the last sentence reads: ... “This is because, due to their diversity, they:”</p> <p>Paragraph 45 in particular raises concerns with its apparent requirement that insurers take into account how consumers may process information.</p> <p>RECOMMENDATIONS:</p> <p>GFIA suggests that the second line should read: “... take into account their needs, circumstances, conditions and characteristics in the product design.”</p>	<p>Changes adopted.</p> <p>The proportionality principle does apply to the recommendation for staff to be from sufficiently varied backgrounds, as it does to all content in the paper. The addition in section 1.3 to reinforce that supervisors’ expectation of the actions insurer and intermediaries take may be informed by the size, location and nature of the insurer/intermediary in question, also responds to this comment. Mentions that some consumers may process information in a different manner have been retained in the paper (eg see also para 54). Para 26 set out that <i>“Various reasons – spanning neurological, cultural and circumstance – can lead to consumers exhibiting diverse</i></p>

	Organisation	Jurisdiction	Comment	Resolution of comment
				<i>ways of reasoning, processing information and making decisions</i> ".
104	Association of British Insurers	UK	<p>We agree with the paper's claim that the risk of unfair treatment of diverse consumers is increased where the assessment of target markets fails to identify the needs and characteristics of different customer cohorts, or where products are sold outside the intended target market. The ABI and our members strongly support continued improvement and adoption of good practice in this area. We contend that good practice is for insurers to consider diverse consumers before bringing a product to the market.</p> <p>We would, however, emphasise that this should only be considered as one form of good practice, rather than be a mandated requirement. This flexibility would help to avoid the risk of disproportionately front-loading product design and development where doing so may be detrimental to good consumer outcomes. It would also help to avoid over-prescription within jurisdictions where supervisors take an outcomes-focused approach to regulation. For example, in the United Kingdom, where the Financial Conduct Authority has implemented the Consumer Duty, which establishes higher and clearer standards of consumer protection across all financial services and requires firms to put their consumers' needs first. In this regulatory environment, another example of good practice could be to understand the target market's needs and act to deliver good customer outcomes, while also identifying cohorts of customers that are experiencing differing outcomes post-launch and taking action to rectify this.</p>	<p>Comments noted.</p> <p>Some revisions have been made in the final version to consolidate previous sections 4.2.1 and 4.2.2 into one section: "<i>4.2.1 Meeting the range of needs within the product's targeted group of consumers</i>".</p> <p>We consider the paper and this comment are actually consistent on the fact the areas to focus upon in order to deliver good outcomes for a wide range of consumers extend beyond only the product design period of before a product is brought to market.</p>
105	National Association of Insurance Commissioners (NAIC)	United States of America	<p>Recommendations, last bullet, suggest streamlining the wording: ...certain consumers should be excluded from the target group in order to protect diverse consumers from buying ill-suited products.</p> <p>Para 47, since the term "suitability" in the U.S. has a specific meaning, recommend the following change:</p>	<p>Streamlining of the sentence is partially adopted.</p> <p>Former para 47 is no longer in the paper due to merging the former sections 4.2.1 and 4.2.2.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			If considerations of diverse consumers are not part of the product approval or product testing process, there is a risk that the product may not offer value and/or may be inappropriate for diverse consumers. For example, a product may not offer reasonably expected benefits and coverage because of the differing needs of diverse consumers.	
106	The Geneva Association	International	<p>We note recommendations such as the following:</p> <ul style="list-style-type: none"> • Insurers should identify whether there are reasonably likely to be diverse consumers within the target group. If yes, they should clearly identify and take into account their needs and characteristics in the product design • Insurers should adapt their product design and market research processes to be DEI-conducive, e.g by ensuring that consumer research/panels/focus groups are appropriately diverse <p>It is not realistic or appropriate to expect insurers to anticipate consumer behaviours. This, in and of itself, may lead to bias. We suggest that the IAIS text is adapted to clarify that, in intermediated insurance markets, often insurance intermediaries put together the insurance product as well as insurers. It is important that supervisors adapt their approach to address the specific context of intermediated insurance markets, while avoiding imposing duplicative requirements on different parties in the distribution chain as much as possible.</p> <p>Furthermore, we suggest that the IAIS recommends that firms have sufficient governance oversight established to ensure that DEI considerations are embedded in product design and market process researches, rather than indicating specific governance mechanisms are deployed, such as focus groups.</p>	<p>Proposed changes not adopted. ICP 19.5.2 makes clear that even in cases where product development is undertaken by intermediaries on behalf of insurers, the insurer should retain oversight of, and remains accountable for, the development of its products.</p> <p>The paper notes (para 33) that the suggestions and recommendations expressed as applicable to insurers also apply to an intermediary where the intermediary is performing activities on behalf of insurers in design and/or distribution of products.</p> <p>While it is a valid general proposition that supervisory approaches should take account of whether the context at hand is an intermediated insurance market or a direct-to-consumer</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
				<p>market, it is not necessary to modify this recommendation.</p> <p>The second recommendation already does not require that any specific mechanism is deployed, rather that if they are used they should be appropriately reflective of the wide range of consumers in society</p>
107	Insurance Europe	European Union	<p>Insurance Europe agrees that having staff with diverse backgrounds can improve outcomes. However, the related recommendation in the paper should encompass the proportionality principle – recognising that size and geographic location may impact an insurer’s ability to recruit staff.</p> <p>Under the second bullet point under the recommendations, we suggest adding “to the extent possible” after “backgrounds.” The sentence would read: “It is also good practice for the staff themselves to be from sufficiently diverse backgrounds to the extent possible, because diversity...”</p>	<p>Change adopted: “<i>to the extent possible</i>” has been added.</p> <p>The proportionality principle does apply to the recommendation for staff to be from sufficiently varied backgrounds, as it does to all content in the paper. The addition in section 1.3 to reinforce that supervisors’ expectation of the actions insurer and intermediaries take may be informed by the size, location and nature of the insurer/intermediary in question, also responds to this comment.</p>
108	Lloyds Market Association	United Kingdom	<p>Paragraph 44 assumes that the diverse customers are not excluded from the target market but should be included.</p> <p>Consideration should be given to what would be a reasonable adjustment or level of assistance for diverse customers and the foreseeability of harms.</p>	<p>The relevant sentence in para 47 (previously 44) has been expanded upon for clarity.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			As per our answer to question 3, the concept of vulnerability can be inappropriately wide.	
Comments on section 4.2.2 Determining whether the coverage, benefits, disclosures and pricing are aligned to the needs of the diverse consumers amongst the target group				
109	General Insurance Association of Japan	Japan	Paragraph 46: While it is important to consider the needs and characteristics of diverse consumers, it is not always necessary for insurers to match the needs of diverse consumers, as their needs are very different, and insurers have their own strategies. Therefore, we suggest replacing "ensure" with "consider".	Para 46 is no longer in the paper due to merging former sections 4.2.1 and 4.2.2 into one section. Para 43 (previously 40), in the lead-in to section 4.2.1, now states: <i>"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."</i> Section 2.2 of the paper does acknowledge that insurers decide the scope of their business.
110	The Life Insurance Association of Japan	Japan	As to the first bullet point of recommendations in paragraph 47, clarifications on how a supervisory authority could engage in DEI as part of its product approval process could be stated. While the product approval process could work effectively as a negative screening to block unfair insurance products that are not suitable for the purpose of DEI, it would only have a limited effect to further promote DEI on products that have already been approved. Under the circumstances where policyholders' needs concerning DEI change over time (paragraph 23), insurance products, which were already approved would not necessarily meet the consumer needs concerning DEI in the future. Therefore,	The comment is noted. The proposed change is to use the words <i>"are not unreasonably impaired"</i> instead of <i>"have been appropriately taken into account"</i> in the recommendation: <i>"When product approval is required by law, supervisors should assess – as part of their approval process –</i>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>insurers themselves would need to periodically review DEI in their products and enhance its function to meet the needs concerning DEI (paragraph 69). Therefore, it would be effective to utilize the supervisory product approval process as a negative screening while taking a bottom-up approach led by the private sector to address the changing needs (paragraph 23).</p> <p>In this context, the first bullet point of recommendations in paragraph 47 could be revised as “When product approval is required by law, supervisors should assess, as part of their approval process, whether the needs and characteristics of diverse consumers who can reasonably be expected to be in the target group are not unreasonably impaired.”</p>	<p><i>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”</i></p> <p>The language of ICP 19.5 is: The supervisor requires insurers to <u>take into account</u> the interests of different types of consumers when developing and distributing insurance products.</p>
1 1 1	Institute of International Finance (IIF)	United States	<p>We appreciate the emphasis on qualitative data and assessments, such as those gathered from product testing and the qualitative outputs from scenario analysis. We strongly recommend prioritizing qualitative assessments over quantitative diversity targets, as the ability or inability of an insurer to meet a quantitative target may reflect societal or economic factors that are out of the control of the insurer and that do not reflect on the insurers’ interest in or commitment to meeting the needs of diverse consumers.</p> <p>Qualitative assessments, which may include evaluating business culture attributes such as those outlined in Section 4.1, can provide a more nuanced and comprehensive understanding of an insurer’s commitment to the fair treatment of diverse consumers. Further, by emphasizing qualitative factors, insurers are encouraged to focus on substantive improvements in their products and practices, rather than focusing on meeting numerical quotas.</p> <p>In any final Application Paper, the IAIS should acknowledge the advantages of qualitative assessments over quantitative diversity metrics. However, it is</p>	<p>Related to this comment, “<i>internal qualitative as well as quantitative assessments</i>” has been added in para 39.</p> <p>Section 5 Conclusion also now has a new para (para 84) that cautions supervisors from distorting overall sound prudential management by insurers and cites the ongoing role for risk-based pricing.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			important to note that even when evaluating qualitative factors, care should be taken not to automatically link a shortcoming in any factor to poor consumer outcomes without a clear demonstration of cause and effect. The IAIS should emphasize to supervisors that any supervisory actions to 'correct' the perceived unfair treatment of diverse customers should avoid unintended consequences that could have adverse effects, including adverse impacts on risk-based pricing.	
1 1 2	Global Federation of Insurance Associations (GFIA)	Global	<p>GFIA agrees on the need to ensure that the evolving technologies does not unfairly discriminate. There are a variety of tools available that can help insurers ensure that new technology is accurate and does not unfairly discriminate. This might include creating governance frameworks, risk management processes, and documenting results.</p> <p>"Once it has been determined that diverse consumers are reasonably within the targeted group of consumers, it is important to ensure that the product characteristics (such as coverage and exclusions, pricing, disclosures, etc.) also align with the needs and characteristics of diverse consumers within the targeted group of consumers." (Par. 46)</p> <p>GFIA suggests that the latter part of the paragraph should be changed to "also align with the needs, circumstances, conditions and characteristics of diverse consumers within the targeted group of consumers."</p> <p>RECOMMENDATIONS: GFIA agrees that partnering with diverse organisations and/or diverse communities is a good way to better understand the needs and preferences of diverse consumers.</p> <p>The Covid-19 pandemic and increased investment in technology has seen accelerated development of digitalisation of insurance products and services, as well as a crystallisation of risks such as the 'expectation gap' – the gap between the product that insurers have sold and the product the consumer has purchased. This highlights the importance of relevant, meaningful, concise, and timely</p>	<p>Comments noted.</p> <p>Para 46 is no longer in the paper due to merging former sections 4.2.1 and 4.2.2 into one section. The idea of engaging with a wide range of organisations/communities/advocacy groups had been expressed in the consultation paper, but is now a bit expanded to reflect ideas raised in consultation feedback. It is also now re-positioned as the final recommendation in section 4.1 because the insights it would give the insurer/intermediary can be deployed at each stage of the product lifecycle, as set out in sections 4.2, 4.3 and 4.4 following.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>information and GFIA believes that this is key to ensuring effective consumer understanding and informed decision making.</p> <p>Paragraph 46 does not take adequate account of the reality that legislation, regulation, and the courts often determine the language and substance of insurance contracts.</p>	
1 1 3	Insurance Europe	European Union	<p>Paragraph 46 does not adequately take into account the fact that legislation and the courts can also determine the language and substance of insurance contracts.</p> <p>Taking into consideration company size and resources, insurers can also be encouraged to create voluntary partnerships with diverse organisations. It could be suggested to collaborate with diverse community or advocacy groups to reach out to different segments of the population to better understand the needs and preferences of consumers.</p>	<p>Para 46 is no longer in the paper due to merging former sections 4.2.1 and 4.2.2 into one section.</p> <p>The idea of engaging with a wide range of organisations/communities/advocacy groups had been expressed in the consultation paper, but is now a bit expanded to reflect ideas raised in consultation feedback. It is also now re-positioned as the final recommendation in section 4.1 because the insights it would give the insurer/intermediary can be deployed at each stage of the product lifecycle, as set out in sections 4.2, 4.3 and 4.4 following.</p>
1 1 4	Lloyds Market Association	United Kingdom	<p>It is important that the product is consistent with the needs of the customers. Here there should be understanding of the differences between consumer and wholesale (commercial) insurance markets.</p>	<p>See IAIS response A that the paper is focused on retail customers.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>However, for smaller customers that would be served well by a standard product it may not be right to proliferate products or tailor individual contracts for individual customers. Proliferation would lead to complexity and costs for firms and customers and could lead to confusion if standard covers are taken away through this process.</p> <p>Where this could be automated it may be possible to deliver some forms of personalised products, but this would still need to be within the scope of set parameters and be limited in the level of benefit.</p> <p>Within the wholesale market individual policies are negotiated and developed from the standard products. However this involves human interventions and understanding of the individual customers demands and needs following an appropriate fact find. However, this is for a limited number of specialist risks where premiums are commensurate for costs of the complexity and intervention.</p> <p>Further, it is also important to establish that exclusions are an important part of insurer's risk management and facilitates availability of insurance. It is not necessarily possible for products to be on an all-risks basis at an affordable price-point.</p>	Comments noted.
Comments on Box 4 Considerations on technology and data				
1 1 5	General Insurance Association of Japan	Japan	The second bullet point: We would like to confirm that the statement regarding use of variables related to characteristics of diversity, or proxy variables for such characteristics, should be avoided in pricing practices does not mean that the use of algorithms or AI should be avoided, but rather that the use of variables which would negatively impact diverse consumers should be avoided.	Change adopted.

	Organisation	Jurisdiction	Comment	Resolution of comment
1 1 6	APCIA	USA	We generally agree with the first and third bulleted points. However, the second bulleted point incorrectly uses the term “proxy variables”. Proxy discrimination is legally defined in the U.S. as part of intentional discrimination, yet this bullet point discusses it without that element of intent.	The term “alternative variables” is now used.
1 1 7	Global Federation of Insurance Associations (GFIA)	Global	Box 4 fails to adequately include the importance of risk-based pricing and the many benefits of using enhanced data and technology for better risk assessment, information for mitigation and more rapid claims settlement.	<p>The scope of Box 4 is considered appropriate in the context of the paper, and its location in section 4.2.1 on product design. Box 4 also now links readers to the IAIS Application Paper on the supervision of AI.</p> <p>The paper sufficiently addresses risk-based pricing in other sections (eg sections 2.1 and 5).</p>
1 1 8	Insurance Europe	European Union	<p>Data is at the core of the insurance business. Insurers process data to analyse the risks that individuals wish to cover to tailor products accordingly. In an increasingly connected world, access to data is essential to continue to offer innovative products. With access to and exchange of more types of data, the insurance industry will be able to offer innovative solutions, serve customers more effectively by, for example, improving existing risk models, and help to close the protection gap.</p> <p>As consumers embrace new and innovative digital solutions, the insurance industry continues to strive to meet their expectations and use new technologies to better serve its customers. The COVID-19 pandemic has further emphasised the need for strong and innovative digital capacities in the financial sector.</p> <p>In order to enhance trust and confidence in the use of new technologies such as artificial intelligence (AI), it is important that such applications are perceived as</p>	<p>Comments noted.</p> <p>Box 4 also now links readers to the IAIS Application Paper on the supervision of AI, where these topics are more deeply explored.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>being fair and do not discriminate against certain groups of customers. Fairness must be considered in the design of AI applications regarding the selection of the input parameters to be used to try to eliminate potential sources of bias.</p> <p>In this regard, the EU acquis already requires insurers to take the necessary measures to ensure fair treatment of consumers and minimise unintended consequences.</p> <p>The EU AI Act is the first regulation in the world addressing the risks of artificial intelligence through a set of obligations and requirements for AI developers and users. The regulation aims to have a risk-based approach, whereby AI systems are regulated based on the level of risk they pose to the health, safety and fundamental rights of a person. According to these new rules, developers of high-risk AI systems must follow various requirements demonstrating that their technology meets certain standards. According to the European Commission (DG FISMA) the AI Act is designed to complement the already existing financial services acquis. While not explicitly targeted at regulating AI, this framework is important to manage the related risks in specific applications and includes several relevant requirements for financial entities when providing financial services.</p> <p>Additionally, individual rights on data are also protected through the EU's General Data Protection Regulation (GDPR) – which provides, among others, (1) the right to be informed: before processing your personal data, your insurer must provide you with various pieces of information, such as what personal data will be processed and for what purpose; (2) the right to ask for human intervention: if your insurer makes an automated decision that affects you, you have the right to express your point of view, contest the decision and ask for human involvement.</p> <p>On top of existing horizontal legislation such as the GDPR and the AI Act, insurers are also subject to an extensive body of sector-specific legislation designed to</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			ensure prudent risk management and effective systems of governance. This is complemented by a robust set of conduct of business rules which include requirements on product governance and transparency.	
Comments on section 4.2.3 Designing appropriate product distribution methods				
1 1 9	Global Federation of Insurance Associations (GFIA)	Global	<p>GFIA sees the value in promoting inclusivity and access to insurance by all. GFIA would like to note that some of these proposals, such as modifying distribution channels to include both online and physical copies, may necessitate regulatory changes in addition to possible adjustments made by insurers.</p> <p>"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 diverse 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 and characteristics of diverse consumers." (Par. 48)</p> <p>GFIA suggests that the last sentence to be amended to read..."which takes into account the needs, circumstances, conditions and characteristics of diverse consumers".</p> <p>GFIA further suggests that all paragraphs which read "needs and characteristics" be updated, as per suggestion above.</p> <p>Insurers appropriately have the right to select distribution models that are appropriate for their business models and markets. They should not be required to use a particular distribution channel or channels.</p> <p>Increasing amounts of regulation are causing additional disclosure requirements which can result in information overload for consumers and have a detrimental consumer impact, considering the sheer volume of documentation that consumers</p>	<p>Change adopted to express: <i>"needs, circumstances, conditions and characteristics of consumers"</i>.</p> <p>Change adopted to express: <i>"gender identity and sex at birth options"</i> in the recommendation for inclusive forms.</p> <p>Other comments noted.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>now need to review as part of commencement/new business, renewal (if applicable) and ongoing communications.</p> <p>The use of traditional communications such as paper via the postal system is no longer considered to be a 'sustainable' delivery method. The use of more modern technology methods is considered a more climate-change friendly and sustainable method of informing effectively.</p> <p>RECOMMENDATIONS:</p> <p>In the last bullet in recommendations around forms and the importance of including inclusive options, GFIA would recommend also including sex at birth: male, female and intersex vs gender options only.</p>	
1 2 0	The Geneva Association	International	<p>We note recommendations such as the following:</p> <ul style="list-style-type: none"> • In defining how the product is distributed, insurers should take into account the needs and characteristics of diverse consumers. In particular, insurers should not select a distribution strategy that has an adverse impact on diverse consumers. For example, if, within the targeted pool of consumers, there are 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 diverse consumers and their special needs or circumstances <p>It is important that the IAIS acknowledges the independent role and knowledge of brokers in intermediated insurance markets, and clarifies that brokers also need to assume responsibilities for their role in distribution channels.</p> <p>The IAIS should advise supervisors to approach supervising areas such as the above differently depending on whether they are supervising an intermediated or non-intermediated insurance market, and to work to avoid duplicative or otherwise</p>	<p>Comments noted.</p> <p>The second and third bulleted recommendations are distinct from one another. The third recommendation is that forms a customer must fill-in should be as inclusive as possible – eg by the form's design accepting less common names (this may mean long names, hyphenated names, multiple family names, different characters etc) and not involving assumptions eg husband/wife mr/mrs pairings.</p> <p>Responding to the comment on the second recommendation, this recommendation invokes the</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>inappropriate requirements being introduced for distinct members of the insurance distribution chain in intermediated markets.</p> <p>We note, for example, that with respect to the requirement to provide intermediaries with sufficient information about the product and targeted group of consumers, it is difficult for the insurer to identify such diverse consumers in those cases when the broker has the contact with the policyholder.</p> <p>More specifically on the 2nd point: The connection between "Insurers should provide intermediaries with sufficient information about the product and the targeted group of consumers" and the example in the 3rd point is unclear. Please clarify how "less common names" and "nonheterosexual" are intended to impact the cases mentioned.</p>	insurer's responsibility for the development of its products and its distribution strategies even if an intermediary is involved in distributing the product. See ICP 19.5.2 and 19.5.5.
Comments on section 4.3 Securing appropriate sales and distribution to diverse consumers				
1 2 1	Global Federation of Insurance Associations (GFIA)	Global	<p>There must be a balance between what key information the diverse consumer needs to know to make informed decisions and the information that must be provided to comply with contractual and regulatory requirements. It would be helpful if the supervisor could emphasise what key documentation should be explained and presented to consumers per sector to ensure practical understanding of the products and services and for firms to meet the requirement of securing diverse customers' interests by informing effectively.</p> <p>GFIA believes that there is a role for supervisors, perhaps through a stakeholder forum, to explore how the financial services industry can best leverage new ways of informing effectively, while still providing sufficient diverse consumer protection to mitigate diverse consumer detriment while complying with the relevant regulatory obligations. This would include identifying what regulatory and legislative requirements inadvertently cause a barrier to this outcome and to hear from financial service firms on successful initiatives to increase financial literacy.</p>	<p>Comments noted.</p> <p>The first recommendation in section 4.3.1 now expresses that informing customers effectively, not providing vast amount of information in a tick-box manner, is encouraged.</p> <p>The paper also mentions the role for supervisors to support initiatives to educate consumers about insurance in section 4.5.2.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
1 2 2	Insurance Europe	European Union	<p>The IAIS paper highlights that the characteristics of some diverse consumers may mean that standard disclosures and marketing materials are uninterpretable and hence grossly ineffective. However, it would be disproportionate and costly for insurers to develop different sets of information (with different content, format and presentation) for specific types of consumers and, in many instances, the use of standardised documents is prescribed under the EU legislation. In this respect, the European legislator has already taken the needs of people with disabilities into account with the European Accessibility Act.</p> <p>In order to be able to provide affordable products, insurers have to design their processes and allocate their resources efficiently. This naturally limits the possibilities to address the needs of every individual customer in every aspect. Any regulatory initiative on diverse consumers must, therefore, maintain a balance between due regard for the needs of diverse consumers on the one hand, and the ability of insurers to provide affordable risk coverage on the other. Supervisory expectations vis-à-vis diverse consumers should not have adverse effects on consumers' expectations regarding product costs.</p> <p>Overall, it is important to ensure that consumers have easy access to advice, so that they can receive further explanations, ask questions, etc, and that the regulatory framework ensures that disclosures are engaging, understandable, not excessive and focus on what matter most to consumers' decisions and needs.</p>	<p>Comments noted.</p> <p>In para 51 the word “<i>standard</i>” has been qualified by “<i>some</i>”. The intention is to evoke that there are some opportunities for improvement from some current standard practices.</p> <p>Para 54 and the first recommendation of section 4.3.1 are edited with the intent of clarifying that the paper is not requiring a vast collection of different or bespoke disclosures/marketing materials.</p> <p>The first recommendation in section 4.3.1 also now expresses that informing customers effectively, not providing vast amount of information in a tick-box manner, is encouraged.</p> <p>The paper mentions the role for supervisors to support initiatives to educate consumers about insurance in section 4.5.2.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
1 2 3	Lloyds Market Association	United Kingdom	It is important to differentiate between consumer business and wholesale commercial insurance. In wholesale insurance there is often reverse solicitation. i.e. the broker acting on behalf of their client offers the risk and base terms to various insurers on a tendering basis.	See IAIS response A.
Comments on section 4.3.1 Marketing communications and disclosures that account for diverse consumers				
1 2 4	Independent Consumer Advocate	U.S.	Second bullet under Recommendations: I think there are words missing after "similar" (3rd line).	No change made. The words " <i>or similar</i> " in that sentence are to mean that other initiatives similar to the ones listed immediately prior can also be drawn upon if they would also be specifically for engaging with a wide variety of consumers and would allow for testing and improving the suitability of materials.
1 2 5	World Federation of Insurance Intermediaries WFII	Global	Paragraph 54 We suggest to replace in the first bullet the word should by are encouraged or may.	Change adopted. This recommendation has been edited in other ways too, and it is now expressed " <i>encouraged to</i> ".
1 2 6	Global Federation of Insurance Associations (GFIA)	Global	GFIA notes that many jurisdictions tightly regulate disclosure content. Modifying disclosure content, formatting, and presentation might necessitate regulatory changes alongside possible adjustments made by insurers. The aim should be to inform customers effectively as opposed to providing vast amounts of information to customers in a tick-box manner. There is a need to explain what a product is in a short, easy to understand format and allow a customer to layer onto this additional information which they may require. The medium through which this is conveyed should not be set or dictated but should	Comments noted. The first recommendation in section 4.3.1 now expresses that informing customers effectively, not providing vast amount of information in a tick-box manner, is encouraged.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>lean away from printed documents given the environmental impact of printing. The aim should be to inform to allow diverse customers to take decisions in their best interests. Key consideration needs to be given to vulnerable customers when developing marketing materials. This could include providing information in alternative formats e.g. large print, audio etc. and ensuring that customers have access to multiple channels for communication.</p> <p>RECOMMENDATIONS: Again, the reference to “how diverse consumers receive and process information” implies a nearly impossible burden on insurers and supervisors and should be deleted.</p>	
Comments on section 4.3.2 Deploying the distribution strategy appropriately				
1 2 7	World Federation of Insurance Intermediaries WFII	Global	<p>Paragraph 56 We suggest to replace in the first bullet the word should by are encouraged or may.</p>	Partially adopted. The recommendation is kept as “should” but it now says “ <i>and which aims to ensure the fair treatment...</i> ” rather than “ <i>and which ensures...</i> ”.
1 2 8	The Geneva Association	International	<p>We note the following recommendation:</p> <ul style="list-style-type: none"> • If [the intermediaries] have not received such information [about the treatment of diverse consumers- from the insurer, it is good practice for intermediaries to seek guidance on how to distribute/sell the product in a way that avoids detriment to diverse consumers <p>We do not understand the rationale for this proposed requirement. It should be the intermediaries’ independent responsibility to sell the product in a way that avoids detriment to diverse consumers. It is disproportionate to require insurers to create</p>	The insurer’s responsibility to retain oversight and remain accountable for the distribution strategies of its products is cited in ICP 19.5.2 and related points about insurers providing information to intermediaries to reduce the risk of mis-selling are cited in ICP 19.5.5. For these reasons, the paper contemplates

	Organisation	Jurisdiction	Comment	Resolution of comment
			detailed documentation on all of the different kinds of customers that a broker might wish to deal with.	the insurer providing instructions to an intermediary. Notwithstanding this, the second recommendation is clarified: <i>“it is good practice to seek guidance and/or independently consider how to...”</i>
1 2 9	Lloyds Market Association	United Kingdom	This approach is consistent with other approaches in regulation. However, this expectation is not consistent with intermediaries advising their client as an independent agent. Professional intermediaries should be assessing the product's suitability for their clients' needs and advising them accordingly. This is the role they are remunerated for as agent of the insured. It is disproportionate for the insurer to be creating documentation that would account for every combination of customer circumstance and vulnerability. This adds costs and complexity which will be passed onto customers.	Comments noted. The second recommendation is edited.
Comments on Box 5 The human approach				
1 3 0	General Insurance Association of Japan	Japan	Since the rationale is unclear for stating that "many" diverse consumers may have fallen behind, leading to inequitable outcomes for diverse consumers, we believe it is less subjective to state that "diverse consumers may have fallen behind, leading to inequitable outcomes".	Changed to <i>“some consumer cohorts may have fallen behind”</i>
1 3 1	World Federation of Insurance Intermediaries WFII	Global	We propose to replace the third line in this box by the following: Interpersonal communications with humans will remain important for diverse customers, especially during the distribution of an insurance product, considering that they may have needs that are more complex and/or sensitive. Intermediaries, who have always invested in a human needs first philosophy, will remain important to bring in this human factor in the technological interactions with all kind	The focus of this comment is on differently expressing a sentence that previously read: <i>Intermediaries may reassess alternative distribution channels for diverse consumers by</i>

	Organisation	Jurisdiction	Comment	Resolution of comment
			of customers. 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 diverse customers who need specialised assistance	<i>investing in a “human needs first” philosophy.</i> This sentence has now been removed.
1 3 2	Lloyds Market Association	United Kingdom	Box 5 appears to be inconsistent with the recommendations in 4.3.2 either the intermediary is an independent professional undertaking an important role in advising the client, or they are a distribution channel of an insurer.	In either case, the intermediary has the most interaction with the customer. This is the focus of the text in Box 5.
Comments on section 4.3.3 Advice and suitability for diverse consumers				
1 3 3	World Federation of Insurance Intermediaries WFII	Global	We suggest to change the title of 4.3.3. as follows: Advice and suitability for diverse customers Paragraph 59: We suggest replacing in the first bullet the word should by are encouraged to or may.	The changes to “customers” and to “are encouraged to” are adopted.
1 3 4	Global Federation of Insurance Associations (GFIA)	Global	“Where advice is provided, if the specific characteristics and needs of diverse consumers 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 the diverse consumer.” GFIA suggests adding the words “conditions and circumstances” to the first line (as per suggestions above). RECOMMENDATIONS: GFIA suggests amending the first bullet point to also include the words “conditions and circumstances”.	Change adopted.
1 3 5	National Association of Insurance	United States of America	Para 57, since the term “suitability” in the U.S. has a specific meaning, recommend the following change: Certain products may not be appropriate for diverse consumers because of their	Change adopted.

	Organisation	Jurisdiction	Comment	Resolution of comment
	Commissioners (NAIC)		diverse characteristics. Hence, additional care is needed to ensure that the needs of the diverse consumers are duly taken into account when providing advice.	
Comments on section 4.4 After-sale servicing, product monitoring and review				
1 3 6	APCIA	USA	There are already established standards for after-sale servicing, such as claims settlement, in many jurisdictions that require equal treatment of the same type of claim. Paragraph 61 suggests that the treatment should differ based on individual characteristics, and worse, that insurers should know highly intrusive personal information such as changes in diversity “profile”.	This para (now para 63) has been edited for clarification, including to now expresses “ <i>characteristics or vulnerabilities that are known to the insurer or intermediary...</i> ”.
1 3 7	Global Federation of Insurance Associations (GFIA)	Global	Paragraph 61 is confusing and might suggest ongoing interactions that are impractical. GFIA believes this paragraph should be deleted.	This para (now para 63) has been edited for clarification, including to now expresses “ <i>characteristics or vulnerabilities that are known to the insurer or intermediary...</i> ”.
Comments on section 4.4.1 Communication and assistance that account for diverse customers				
1 3 8	Insurance Europe	European Union	Paragraph 66 may impose a very resource intensive communication process that could be handled more effectively at the supervisory level, perhaps through a series of roundtables with consumers and industry.	Former para 66 (now that content is split between the final recommendation in section 4.1 and para 68) intends to express actions to be taken by the insurer or intermediary as part of informing how they conduct their businesses. The idea of roundtables as a mechanism to learn about diverse customers’ challenges/barriers is now added in footnote 19.

	Organisation	Jurisdiction	Comment	Resolution of comment
1 3 9	General Insurance Association of Japan	Japan	The 5th bullet point of Recommendations: Since participating in the initiatives is perceived as an example of a comprehensive response to people with limited digital access and digital literacy, we suggest deleting this bullet point or integrating it with the 4th bullet point as an example.	Change not adopted. We consider the points, though related, are better kept separate.
1 4 0	World Federation of Insurance Intermediaries WFII	Global	<p>Paragraph 68 As this paragraph deals with after-sale, we suggest to replace the word consumers by customers.</p> <p>We suggest changing the second sentence of the second bullet as follows: (...) Insurers may additionally proactively solicit feedback from intermediaries and their diverse customers about their experiences of after-sale servicing.</p> <p>Regarding the third bullet, we propose the following change: 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 diverse customers can be proactively identified and mitigated;</p>	Changes adopted.
1 4 1	The Life Insurance Association of Japan	Japan	<p>Based on the LIAJ's comment on Q1, practical examples concerning DEI could be helpful. The LIAJ would suggest to set a new box before the recommendations in page 23 to illustrate efforts made in different jurisdictions. The following are good Japanese practices as of July 2024.</p> <p>(Box 6) Practical examples of communication and support initiatives that consider diverse customers (as of July 2024)</p> <p>1."Family member registration service" — an initiative to enhance access to insurance for the elderly or customers with dementia. Generally, insurers provide contract details only to the policyholder, but some insurers disclose contract details of the policyholder (such as an elderly customer) to pre-registered family members. Similarly, in cases where a policyholder can no longer take necessary actions due to cognitive impairment, insurers established a</p>	<p>The IAIS appreciates LIAJ sharing these examples and commends these initiatives. The paper now has footnote 22 which briefly references some examples of positive actions being taken, drawn from consultation responses.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>system to allow for the pre-registered family member to request contract modification or make claims on their behalf.</p> <p>2. Obtaining medical and residency certificate for the policyholder — an initiative to enhance access to insurance for the elderly Elderly customers or customers with dementia aren't the only individuals who may have to face challenges in processing their insurance contract; their families may do as well. Some insurance companies provide services to obtain medical certificates required for a claim from medical institutions or residency certificate from local government offices on the policyholder's behalf to reduce their burden.</p> <p>3. Telephone voice clarification device — an initiative to enhance access to insurance for people with disabilities Generally, elderly customers and those with disabilities caused by aging tend to be left behind by digitalisation. Furthermore, customers with hearing problems are known to be at risk of dementia due to social isolation stemming from the hesitation to use the telephone. For such situations, an insurer developed a telephone voice clarification device in collaboration with a start-up company and introduced it in their call centres, which facilitated communication with customers. Such efforts are considered to serve as an improvement of convenience to all customers, not only to the elderly and those with disabilities caused by aging. This initiative and its underlying concept were shared during the panel on customer-centric management at the 2023 IAIS Annual Conference in Tokyo and were supported by a large audience.</p> <p>4. "Telephone sign language relay service" — an initiative to enhance access to insurance for people with disabilities Some insurers provide a telephone relay service to facilitate communication between the policyholder with a hearing disability or speech impediment, and the insurer's telephone operator. A sign language interpreter will translate the</p>	

	Organisation	Jurisdiction	Comment	Resolution of comment
			customer's sign language or written notes to speech and vice-versa and connect both individuals simultaneously. 5. Preparing documents in braille — an initiative to enhance access to insurance for people with disabilities Some insurers prepare documents in braille at the request of policyholders with a visual disability to provide them with necessary information.	
1 4 2	APCIA	USA	Again, the requirement in paragraph 65 is to assure the impossible and impractical outcome that communication suits “all consumers” and can be tailored based on consumer characteristics. Likewise, paragraph 67 continues the unrealistic and even undesirable obligation on the part of insurers to monitor the personal lives of consumers as they change through time.	Some edits have been made to clarify the intended meanings, which we consider are reasonable.
1 4 3	Global Federation of Insurance Associations (GFIA)	Global	Paragraphs 66 and 67 would impose a very resource intensive communication process that might be more efficient addressed at the supervisory level, perhaps through a series of roundtables. GFIA suggests these paragraphs be deleted.	Some edits have been made to the content that was previously at paras 66 and 67. That content is now split between the final recommendation in section 4.1 and para 68. The content intends to express actions to be taken by the insurer or intermediary as part of informing how they conduct their businesses. The idea of roundtables as a mechanism to learn about diverse customers' challenges/barriers is now added in footnote 19.
1 4 4	National Association of Insurance	United States of America	Para 67, there is not a clear distinction made between a ‘vulnerable or otherwise diverse’. Suggest clarifying.	Sentence is now redrafted.

	Organisation	Jurisdiction	Comment	Resolution of comment
	Commissioners (NAIC)			
1 4 5	Lloyds Market Association	United Kingdom	<p>our answer to Question 17 - In line with the FCA's proportionality to consumer duty, consideration should be given to what would be a reasonable adjustment or level of assistance for diverse customers and the foreseeability of harms. Proliferation of materials that need to be maintained as products change over time could lead to significant overhead, and result in misunderstanding for consumers. An expectation that communications are tailored to characteristics of diversity should therefore be avoided.</p> <p>The use of digital channels and modern communications is expected by customers. However, we agree that existing customers should still be able to access services through non-digital channels where this is not appropriate to their needs.</p>	<p>Comments noted.</p> <p>The second point is expressed in para 69.</p>
Comments on section 4.4.2 Product monitoring and review that detects and addresses unfair treatment of diverse customers				
1 4 6	General Insurance Association of Japan	Japan	<p>Paragraph 71: Regarding "take reasonable steps to encourage customers to bring such issues to their attention," it would be meaningless to simply alert customers. Therefore, it would be better to share the best practices of each country when dealing with customers facing economic hardship.</p> <p>The 4th bullet point of Recommendations: With the current lack of practices that consider diverse consumers, it seems too early to recommend that "Insurers should conduct independent audits...". Therefore, we suggest revising the sentence as follows: "Insurers should consider conducting independent audits..."</p>	<p>Now para 73. The message expressed in the sentence is that insurers and intermediaries should educate their customers that they can self-report that they are experiencing trouble / experiencing a circumstance of vulnerability, and doing so will be met with assistance.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
				On the second point, the recommendation is changed to “ <i>are encouraged to</i> ”.
1 4 7	World Federation of Insurance Intermediaries WFII	Global	<p>Paragraph 69 We propose to add in the first and second sentence the words aimed at diverse customers. This paragraph then reads as follows: Insurers should have adequate procedures and measures in place that ensure that the interests of diverse customers are considered in a balanced manner when developing and/or distributing a financial product aimed at diverse customers. Existing products aimed at diverse customers must be reviewed and updated periodically, particularly after changes in laws and regulation or after key performance indicators signal the need to do so, including because of unfair treatment of diverse customers.</p> <p>Paragraph 71 We propose to replace the word should by encouraged or may as these recommendations are suggestions and not requirements. The first bullet then reads as follows: Insurers and intermediaries are encouraged to identify ways to monitor whether diverse customers within the targeted pool of consumers may fall into conditions of vulnerability and require additional protection or special treatment. They may also proactively encourage such consumers to self-report any such change in their personal circumstances at an early stage, so that assistance can be provided (for instance relevant forbearance measures). Applicable data protection requirements must be adhered to;</p>	<p>Now para 70. The first and second sentences have been edited for clarity and “<i>customers</i>” is now used.</p> <p>The recommendations in section 4.4.2 have been edited for clarity. In some cases “<i>are encouraged to</i>” has been adopted.</p>
1 4 8	APCIA	USA	Again, the implied requirement in paragraph 70 and 71 to monitor and consider the changing circumstances of all consumers, including impacts on them of macroeconomic conditions, is impractical or impossible. All the recommendations in this section call for the same degree of intrusive and unreasonable knowledge	We disagree. Various edits made in section 4.4.2 should assist with clarifying the intended meanings, which we consider are reasonable. Relatedly, a

	Organisation	Jurisdiction	Comment	Resolution of comment
			of each consumers changing circumstances. We recommend that these paragraphs be deleted.	reference to ICP 19.9.2 is also added which indicates that insurers should maintain a relationship with the customer throughout the policy lifecycle in order to enable it to satisfy its obligations under a policy in an appropriate manner.
1 4 9	Global Federation of Insurance Associations (GFIA)	Global	In total, this section implies an extremely burdensome mandate to engage in on-going evaluations of things far beyond the normal fair treatment, such as “macroeconomic conditions affecting the product value proposition for some consumers.”	No change made. The paragraph lists various possible indicators or triggers as illustrative examples. The overarching statement is that periodic reviews of product effectiveness should be carried out to ensure compliance, mitigate risks and enhance overall product quality for customers.
1 5 0	National Association of Insurance Commissioners (NAIC)	United States of America	<p>Para 69, given this is an application paper, it cannot use wording that suggests a requirement; if this tracks to a standard, then it should be referred to and/or quoted: 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 because of unfair treatment of diverse consumers.</p> <p>Recommendations, first bullet, the last sentence makes a good point, but one that is likely relevant to other parts/recommendations of the paper. Consider moving this point to follow Para 30 (or another suitable place) and expand a bit: To the extent efforts by insurers or intermediaries to monitor and/or address fair treatment of diverse consumers uses personal data, such efforts need to adhere to any applicable personal data protection requirements.</p>	<p>Now para 70. Reference to ICP 19.5.5 has been added and “<i>should be</i>” is now used instead of “<i>must be</i>”.</p> <p>An overarching message on the need to adhere to jurisdictional legal and privacy considerations is expressed in section 1.3. On balance, it is considered preferable to also retain the shorter reference/reminder of it here.</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
1 5 1	The Geneva Association	International	Recommendation 4th point: Given the current lack of practices assuming diverse consumers, it is excessive to state that "Insurers should conduct independent audits." It would be more appropriate to suggest, "Insurers are encouraged to consider implementing independent audits."	Change adopted.
Comments on section 4.4.3 Claims procedures that are inclusive				
1 5 2	General Insurance Association of Japan	Japan	Requiring excessive assurance of procedures will lead to increased costs for insurers, which in turn will result in increased premiums, thus making the provision of inclusive insurance difficult. While it is important to ensure that claims are filed, we believe that a balanced approach is needed. In particular, insurers should be allowed to have "claims forms also in minority languages" within reasonable limits that would not cause an excessive burden, depending on jurisdictional and insurer-specific circumstances.	Some edits have been made to reinforce the intended meaning, which does involve reasonableness and balance.
1 5 3	APCIA	USA	The above comments are equally applicable to the recommendations of this section. In fact, treating like claims differently would violate the fair claims settlement laws in the U.S. And testing mandates not based on legally established standards, should not be a part of the paper.	Previous APCIA comments responded to earlier in the table. Section 4.4.3 does not suggest that like claims be assessed differently. No changes adopted.
1 5 4	Global Federation of Insurance Associations (GFIA)	Global	Each vulnerable circumstance differs, and this means that training, policies and procedures, along with ability to flex these, are the most appropriate ways of ensuring a positive consumer outcome here, not forcing consumers to accept whether or not they are 'vulnerable'/in vulnerable circumstance or being categorised in that manner. GFIA understands the supervisory desire that consumers would not have to explain the circumstance every time they interact with financial service providers, however, requiring a system check/classification also triggers other legal requirements, and this may not always be in the best interests of the consumer to have to deal with at that time. GFIA suggests that supervisors increase thematic feedback from supervisory	Comments noted.

	Organisation	Jurisdiction	Comment	Resolution of comment
			activity in vulnerable circumstances, setting out anonymous examples of good and poor practice it has seen across the financial services industry. For example, Insurance Ireland, as the insurance trade body, intends to host workshops for members in terms of sharing good practice and practical issues that arise in this area, and would look to share this with the Regulator through regular engagements. This approach allows for the flexibility that is needed to support diverse consumers in vulnerable circumstances.	
1 5 5	The Geneva Association	International	Excessive procedural requirements lead to increased costs and move away from inclusive insurance provision; therefore, a balanced approach is needed.	Some edits have been made to reinforce the intended meaning, which does involve reasonableness and balance.
1 5 6	Lloyds Market Association	United Kingdom	It is not clear that it is appropriate or proportionate for there to be an expectation that documentation is to be provided in multiple languages.	We do consider that documentation in different languages can be an important step – especially in some jurisdictions and in serving some consumer populations. Jurisdictional specificities will inform any local implementation of this idea. In any event, the mentions of documents in different languages are expressed in the paper as possible examples not as a mandated requirement.
Comments on section 4.4.4 Complaints procedures that are inclusive				
1 5 7	General Insurance	Japan	Requiring excessive assurance of procedures will lead to increased costs for insurers, which in turn will result in increased premiums, thus making the provision of inclusive insurance difficult. Therefore, a balanced approach is needed.	Some edits have been made to reinforce the intended meaning,

	Organisation	Jurisdiction	Comment	Resolution of comment
	Association of Japan			which does involve reasonableness and balance.
158	APCIA	USA	The recommendation to test how diverse consumers “perceive the complaints procedures as being accessible and fair” imposes a completely subjective standard and is impractical and unreasonable.	The recommendation is retained but now expressed “ <i>may consider testing/researching if different customer cohorts perceive the complaints procedure as being accessible and fair.</i> ” The recommendation is about the insurer understanding the fairness of the treatment experienced by its customers, from the customer’s perspective. We disagree that it is impractical and unreasonable for the insurer to do this.
159	Global Federation of Insurance Associations (GFIA)	Global	The testing requirement could add significant new burdens that would be counterproductive in terms of affordability.	Ther recommendation is retained but now expressed as “ <i>may consider testing/researching if...</i> ”. We disagree that doing so would be counterproductive. It’s about understanding the lived experience of your customers and their satisfaction.
160	The Geneva Association	International	Excessive procedural requirements lead to increased costs and move away from inclusive insurance provision; therefore, a balanced approach is needed.	Some edits have been made to reinforce the intended meaning, which does involve reasonableness and balance.

	Organisation	Jurisdiction	Comment	Resolution of comment
Comments on section 4.5 Working towards greater inclusion of diverse consumers across the insurance sector				
1 6 1	World Federation of Insurance Intermediaries WFII	Global	<p>Paragraph 76 We propose inserting the word encouraged in the first sentence. The first sentence of this paragraph then reads as follows: As insurance can be a particularly acute need for diverse consumers and others who are in vulnerable circumstances, it is essential that the sector is encouraged to meet the needs of these consumers. (...)</p> <p>Paragraph 77 We propose to insert the words intermediaries and distribute in the first sentence and often in the third sentence. The first and third sentences of this paragraph then reads as follows: Under a market-based system, consumers, including diverse consumers, generally do not have a right to receive insurance products and services, nor do insurers or intermediaries have an obligation to provide or distribute them. (...) To ensure safe and sound financial markets and reduced harm from unexpected or random events which often can be insured, supervisors can play a role in ensuring their markets function and serve consumers, including diverse consumers.</p>	Changes adopted.
1 6 2	APCIA	USA	Paragraph 75 should have the caveat that some consumers, due to their risk, are uninsurable, regardless of their need. Paragraph 77 should also include a reference to the importance of supervisors assuring risk-based pricing for a healthy, solvent and competitive insurance market.	Changes partially adopted. 1) the section now expresses <i>“it is essential that the sector is encouraged to meet the needs of these consumers”</i> not evoke that every person must be insured. 2) the section now expresses <i>“supervisors can play a role in</i>

	Organisation	Jurisdiction	Comment	Resolution of comment
				<i>ensuring their markets function and serve a wide range of consumers, as well as ensuring a healthy, solvent and competitive insurance market”.</i>
1 6 3	Institute of International Finance (IIF)	United States	Supervisors should rely in the first instance on dialogue with insurers before taking action to ‘correct’ consumer issues that may not be the result of unlawful conduct on the part of the insurer. In terms of supervisory approaches, we advocate for the use of soft powers, such as dialogue and information sharing, as the primary means of addressing any supervisory concerns. Punitive measures should be reserved for situations in which there is clear evidence of unlawful and intentional discriminatory conduct that continues to go uncorrected.	Comments noted. No change required.
1 6 4	Global Federation of Insurance Associations (GFIA)	Global	<p>GFIA agrees that access to insurance is a cornerstone to society and that mandates are sometimes necessary to achieve supervisory objectives. In paragraph 77, GFIA recommends adding “to the extent they are necessary” after “mandates”. The sentence would read “It is important to note that mandates, to the extent they are necessary, can influence the range of actions taken and the tools adopted by the supervisor to support action.</p> <p>Paragraphs 75-78 do not take adequate account of the importance of risk-based pricing to competition, product viability and even more importantly, to solvency.</p>	<p>“Mandates” refers to supervisory mandates, so it does not make sense to say “<i>to the extent they are necessary</i>”. The sentence intends to reinforce that the mandate of the supervisor will influence what actions a supervisor takes. The sentence is now at the end of para 80.</p> <p>The section now expresses “<i>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</i>”. These points</p>

	Organisation	Jurisdiction	Comment	Resolution of comment
				are also now reinforced in section 5 Conclusion.
1 6 5	Insurance Europe	European Union	Insurance Europe agrees that access to insurance is a cornerstone to society and that mandates may sometimes be necessary to achieve supervisory objectives. In paragraph 77, we recommend adding “to the extent they are necessary” after “mandates”. The sentence would therefore read: “It is important to note that mandates, to the extent they are necessary, can influence the range of actions taken and the tools adopted by the supervisor to support action.”	“Mandates” refers to supervisory mandates, so it does not make sense to say “to the extent they are necessary”. The sentence intends to reinforce that the mandate of the supervisor will influence what actions a supervisor takes. The sentence is now at the end of para 80.
Comments on section 4.5.1 Shaping the supervisory landscape				
1 6 7	Independent Consumer Advocate	U.S.	Item 79, 3rd bullet, 2nd paragraph: I would add “barriers” on the 3rd line (“... can reveal unexpected needs, concerns, preferences and barriers that might previously have been overlooked or not considered.”	Change adopted.
1 6 8	World Federation of Insurance Intermediaries WFII	Global	Paragraph 79 We propose to insert the words taking into account the limits of their mandate in the first sentence. The first sentence of this paragraph then reads as follows By incorporating DEI considerations into supervisory frameworks and regulatory requirements, taking into account the limits of their mandate, supervisors may reduce the impact of systemic and idiosyncratic barriers that hinder access to insurance products and services for underserved communities and diverse consumers.	Change not adopted. The lead-in section, section 4.5, already adequately conveys that “supervisory mandates can influence the range of actions taken and the tools adopted by the supervisor”.
1 6 9	Global Federation of Insurance	Global	GFIA supports efforts made by supervisors to try and seek a more inclusive and accessible insurance environment, consistent with the realities of maintaining a strong, competitive and innovative insurance market.	Comment noted.

	Organisation	Jurisdiction	Comment	Resolution of comment
	Associations (GFIA)			
170	National Association of Insurance Commissioners (NAIC)	United States of America	Are the last two paragraphs supposed to be numbered? Or are they part of the bulleted list?	They are part of the third bullet item.
171	Insurance Europe	European Union	Insurance Europe supports efforts made by the IAIS and supervisors to work towards a greater inclusion of diverse consumers, consistent with the objective of maintaining a strong, competitive and innovative insurance market.	Comment noted.
Comments on section 4.5.2 Facilitating market development				
172	APCIA	USA	We strongly agree with the paragraphs in this section as the best and most useful way forward.	Comment noted.
173	Institute of International Finance (IIF)	United States	Supervisors can play a crucial role in empowering diverse consumers with knowledge about the importance of retail insurance products and services in protecting consumers and society. We appreciate the Draft Application Paper's focus on collaborative approaches to promoting inclusive insurance initiatives. The emphasis on supervisors engaging with a wide range of stakeholders to create a supportive retail insurance ecosystem is commendable. A multi-stakeholder approach can indeed be highly effective in addressing the complex challenges of serving diverse consumers. The Paper's suggestions for collaboration initiatives, such as developing targeted financial literacy campaigns, are valuable. These efforts, which could involve collaboration among insurers, insurance supervisors, and industry and consumer advocates, can facilitate a common understanding of the insurance needs of diverse consumer groups and help to explore appropriate approaches to reach	Comment noted.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>diverse consumers in a particular market.</p> <p>We are particularly supportive of the recommendation to develop sandboxes for testing new insurance products, services and distribution networks tailored to the specific needs of diverse consumers. Supervisors should incentivize the broadening of the retail insurance pool through support for innovative insurance products, services and distribution channels. We agree with the recommendation that supervisors support alternative distribution channels, such as community development financial institutions and mobile money platforms. Determining what works best is an iterative process, and we encourage the IAIS to support experimentation and learning by both supervisors and insurers.</p> <p>As the Paper notes, new technologies such as artificial intelligence (AI), can play a role in reaching diverse consumers. We believe that supervisors should take a balanced and positive approach to innovation and consider ways that new technologies and innovative products can help expand access and promote consumer protection. Regulatory and supervisory frameworks should be principles-based and technology-agnostic.</p>	
1 7 4	Global Federation of Insurance Associations (GFIA)	Global	<p>Educating consumers is a shared responsibility. Regulators can play a key role along with insurers, so a collaborative approach should be encouraged. In interactions with members of retirement funds over many years, a recurring theme when conducting member education presentations and seminars/webinars is the level of understanding of the concept of insurance and how it works. To illustrate the point questions are often posed by members during these explanation sessions on their retirement fund benefits on issues such as the following:</p> <ul style="list-style-type: none"> n Death benefits (Group life assurance) n PHI (Personal health insurance) n Lump sum benefits for illness. <p>Based on this, it is fair to assume that many members do not grasp the basic</p>	Comment noted.

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>premise of insurance, which is to cover specific risk events, such as death, and if that risk does not arise, no benefit is payable. Premiums are typically paid on a regular basis and are required to maintain the insurance policy's active status. Failure to pay the insurance premium may result in the cancellation of the policy, leaving the policyholder without coverage.</p> <p>Furthermore, the terminology used when explaining insurance cover can be confusing for many people, especially those who do not have English as a first language and very basic explanations of the concepts will benefit consumers of insurance products as well as practical examples which further explain what is meant and how these concepts work and how premiums are derived for these products.</p> <p>The point GFIA members are driving at is that the basic relationship between the parties to the insurance contract and the nature of insurance cover may not be fully understood. It is our view that very basic explanations of concepts and terminology and less financial jargon will go a long way to achieving fair treatment for diverse consumers.</p> <p>GFIA strongly supports paragraph 80 as a good statement on how to approach these issues so as to have the most cost/effective outcomes for diverse consumers that are consistent with the fundamental risk-based nature of insurance.</p>	
1 7 5	Insurance Europe	European Union	Insurance Europe agrees with the content of paragraph 80. Supervisors are in a position to play a key role in facilitating development of inclusive products and markets by enabling innovation, improving collaboration with stakeholders and encouraging consumer education.	Now para 82. Comment noted.
1 7 6	Independent Consumer Advocate	U.S.	<p>Item 80, 3rd bullet: I would add community and consumer organizations to the list at the beginning of the first sentence.</p> <p>4th bullet: I would edit as follows:</p> <p>Supervisors can support initiatives that educate diverse 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</p>	Now para 82. Changes adopted.

	Organisation	Jurisdiction	Comment	Resolution of comment
			associations, consumer groups, community organizations and other nonprofit organizations to signpost to diverse consumers where they can access insurance, what to look for when purchasing insurance products and how to protect their rights and access benefits after purchase.	
Comments on section 5 Conclusion				
178	World Federation of Insurance Intermediaries WFII	Global	Paragraph 82 We propose to replace the word consumers by customers.	Now para 85. See IAIS response B – both terms are used in this para according to context.
179	APCIA	USA	We suggest adding in the conclusion: the importance of allowing risk-based pricing, that not every consumer's individual needs can be satisfied and that application of the paper should respect proportionality, confidentiality, privacy and cost/effectiveness. Impractical or impossible to achieve recommendations will harm the market generally, and especially vulnerable consumers, by creating conditions where insurance becomes less affordable and less available due to supervisory overreach.	See new para 84.
180	Institute of International Finance (IIF)	United States	The IIF appreciates the IAIS's efforts to promote fair treatment of retail consumers, recognizing that a commitment to serving these consumers can positively impact customer outcomes and insurance market development and stability.	Comment noted.
181	Global Federation of Insurance Associations (GFIA)	Global	The inadequately defined concepts of “diversity” and “fairness” are overly broad which is likely to result in overlapping and even contradictory requirements. Concepts of accessibility, vulnerability, fair treatment, and risks from exclusion should be compartmentalised to avoid duplication of policy initiatives as follows: n Vulnerable consumers are more specifically people who due to particular personal circumstances or characteristics are especially susceptible to harm, particularly when a firm is not acting with the appropriate levels of care under the law of the jurisdiction. While there are differences in how different jurisdictions	Comment noted. Section 1.3 of the paper recognises that implementation of the recommendations and concepts explored in this paper by a supervisor/insurer/intermediary will need to account for the

	Organisation	Jurisdiction	Comment	Resolution of comment
			<p>define customer vulnerability, the definitions generally consider the following three elements:</p> <ul style="list-style-type: none"> ■ Individual characteristics - such as age, sex, disability, ethnicity, socio-economic status, etc.; ■ Individual circumstances - including changes in family structures, grief, divorce, loss of job, etc.; and ■ External conditions - including distribution of resources, inequality, discrimination, lack of access to services such as health care, retail services, education, or affordable housing. <p>n The concept of fair treatment is a regulatory and supervisory approach designed to ensure that regulated financial institutions deliver specific, clearly set out fairness outcomes for financial customers during the product life cycle. This is not limited to but includes vulnerable and diverse customers.</p> <p>n Accessibility (financial inclusion) means that consumers have access to useful and affordable financial products and services that generally meet their needs, including diverse and vulnerable customers. Although financial inclusion may be a core priority for many governments (e.g. as an important tool for inclusive economic growth in a country, and a necessary component towards reducing economic inequality), it is not necessarily driven through regulatory frameworks.</p> <p>n Diversity pertains to specifically identified groups that face a higher likelihood of unfair treatment because of their diverse characteristics or circumstances.</p> <p>Making these distinctions would be more advantageous to consumers as different policies and procedures are needed to address the distinct risks within each of these categories.</p>	<p>jurisdictional context, including any relevant definitions, use of terminology, and existing frameworks or requirements.</p>

Late submission, outside official consultation period.

The submission below was received from the Center for Economic Justice after the official consultation period. Notwithstanding its late receipt, the IAIS has chosen to publish the submission (with the submitter's consent) in the interests of transparency, so that the views expressed within



it can contribute to the public dialogue on the topic, and in recognition of the time taken to prepare it. The IAIS notes that this is the second submission (of 14 total) from the consumer advocate perspective.⁴

The IAIS offers the following overarching responses to the submission:

- The scope and structure of the paper are not modified in response to the submission, instead certain points raised in the submission may be considered in future work (eg on the use of data collection and publication to monitor consumer outcomes, empower consumers, and encourage market forces to discipline insurer practices; on more specific guidance to supervisors on developing and using supervisory approaches).
- The submission suggested the IAIS consider separate application papers for fair treatment of consumers and for promoting financial inclusion and, relatedly, proposed expansion on some of the points raised in section 4.5 of the paper. The IAIS is preparing an updated Application Paper on regulation and supervision supporting inclusive insurance markets with consultation anticipated in Q3 2025.
- Some changes made in the paper in response to the consultation happen to also be on themes that were raised in this submission (eg some of the redrafting in section 2.1 on risk-based pricing; the addition in Box 1 of the ICP 19 explanation of what is fair treatment; some edits throughout section 4 to reinforce that the recommendations will improve fair treatment for all consumers including diverse consumers).
- The submission suggested the paper add specific guidance for supervisors and insurers to test their data and algorithms for unfair discrimination. This topic is more deeply explored within the IAIS Application Paper on the supervision of artificial intelligence, and a cross-reference to that paper has been added in Box 4.
- The submission suggested that the paper expects an individual insurer to develop products that meet the needs of all customer segments, but this is not the case (see paras 25–26).

Submission from Center for Economic Justice, received December 2024

1	<u>General comments on the Application Paper</u>
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⁴ The [IAIS Stakeholder Engagement and Consultation Policy](#) (Nov 2023) expresses diversity, equity and inclusion as one of four underpinning principles of IAIS engagement with stakeholders, and states: “The IAIS will seek to engage with all relevant and interested stakeholders to reflect the geographic and market diversity of its stakeholders. Among our range of stakeholders, it will be key to reach stakeholders that provide a voice for consumers, those from emerging markets and developing economies and those from underserved and unrepresented segments of society who may not have access to insurance, to ensure these perspectives are effectively recognised.” (emphasis added).

The Center for Economic Justice greatly appreciates the Market Conduct Working Group's efforts, including the efforts of the IAIS Secretariat, in producing this draft application paper. We offer some general themes / comments on the paper in this section. Our comments were prepared by Birny Birnbaum, an economist by training, who has analysed insurance markets and fair treatment of consumers since 1991 as a supervisor, consumer advocate and consultant to public agencies.

General Comment A: We suggest it would be useful for the application paper to explain why insurance is different from other consumer products and how these differences can lead to market failures in market-based approaches to the provision of insurance. These differences include:

- Insurance is a promise for future benefits if certain events occur and not a tangible object that consumers can evaluate at time of purchase;
- Insurance is a contract of adhesion meaning that consumers are offered a contract to take or leave and generally cannot negotiate the terms of the contract;
- The insurance contract is complex and reflects a massive difference in insurer versus consumer understanding of the contract;
- Consumers typically don't pay attention to the workings of insurance until needed when it is too late alter the terms of the agreement;
- Consumer biases – such misjudging one's risk – create vulnerability for consumers;
- There is relatively little or no information about how insurers perform on the promises in the insurance contract, leading to consumers purchasing primarily on the basis of price instead of the contents of the insurance agreement or the track record of the insurer;
- Important types of insurance are required by government or lenders, creating a captive market for insurers;

These unique characteristics of insurance create different issues and opportunities for supervisors to address in terms of consumer protection and different types of market intervention to address market failures.

General Comment B: The paper includes a large number of general recommendations or actions by supervisors, insurers and intermediaries, but offers relatively little specific guidance regarding how to implement the recommendations. For example, in paragraph 37, the paper recommends insurers have “strong compliance / risk function” and promote “constructive feedback / remediation culture.” While the paper mentions tools to

achieve these outcomes, there is limited or no specific guidance for developing or using these tools and, consequently, for achieving the desired outcomes.

The paper does an excellent job of listing consumer protection issues by phase of the insurance life cycle. The volume of suggestions for insurers, intermediaries and supervisors is large, may be somewhat overwhelming to the relevant entities and may lead the relevant entity to be uncertain about where to start and what to prioritize.

We suggest an overall analytic framework to guide supervisors and insurers would be useful and suggest that analytic framework be:

- Define Fairness
- Measure / Assess / Test for Fairness
- Take Action to Address Unfair Outcomes
- Repeat Steps 2 and Steps 3 periodically and as needed.

Fairness may be defined differently across different jurisdictions. In the United States, fairness is defined in two ways. The first is actuarial – an insurer practice is fair if it accurately reflects differences in the cost of the transfer of risk. The second is “protected class” fairness – certain practices are prohibited on the basis of consumer characteristics regardless of whether the practice would be actuarially fair. Examples of protected class protections in the US include race, religion and national origin characteristics. In the EU, gender is a protected class.

The first step must be to explicitly define fairness so supervisors, insurers and intermediaries have a common understanding of what activities constitute fair or unfair treatment.

Once fairness is defined, the next step for both supervisors and insurers is to measure and assess the fairness of the insurance practice. While the insurer is assessing its individual practices, the supervisor must assess the overall fairness of the aggregate market as well as the individual practices of insurers. Please see general comment C to expand on this point. Stated differently, insurers and supervisors should both measure and assess fairness of consumer market outcomes and take action when unfair outcomes may occur, are occurring or have occurred.

We suggest that the paper include specific guidance on quantitative and qualitative data collection for market monitoring and assessing consumer outcomes. Insurers already collect and analyse granular consumer market outcome data as part of the development of the development of consumer-facing algorithms for all phases of the insurance life cycle. Insurers should be required to include testing for protected class unfair

discrimination and other fairness metrics during the development of the algorithm and post-deployment of the algorithm. Insurers should also develop qualitative methods to test for fair treatment of consumers, including some of the methods identified in the draft application paper. It would be useful to both supervisors and insurers to explain how to implement these qualitative methods in more detail.

There are numerous examples from the US for granular consumer market outcome data collection, including the Texas Department of Insurance's statistical data reporting plans for all property casualty lines of insurance, workers' compensation data reporting in all or nearly all US states, statistical reporting by 30 to 40% of the property casualty market through statistical plans used by the Insurance Services Office as designated statistical agent of all or nearly all US states and the NAIC's collection of life insurance and annuity transaction data. There are also examples of transaction data collection in the US for other financial services, including the Home Mortgage Disclosure Act data collection from lenders regarding consumer and small business loans.

For the supervisor, transaction-detail data collection and analysis is essential for market monitoring – both to assess the practices of individual insurers and the overall market outcomes for consumers. This type of data collection and analysis is foundational for assessing whether markets are serving all types of consumers, whether protection gaps exist and whether unfair outcomes are occurring for some or all types of consumers. Quantitative data collection and assessment should be augmented by qualitative data collection, including some of the methods listed in the draft application paper, such as matched-pair testing and consumer advisory committees. We suggest that the discussion of these qualitative data collection tools be expanded to provide the guidance needed by supervisors to implement those tools. We also suggest the inclusion of a dedicated insurance consumer advocate to represent consumers in supervisory proceedings. Examples include public funding (sometimes as a conduit of funding by insurers) of consumer advocacy organizations as in common in the EU and found in some US states, like the Texas Office of Public Insurance Counsel.

We then suggest that actions by supervisors to address market failures, generally, and consumer protection problems, specifically, be divided into actions generally available to the supervisor through statutory authority versus actions that require legislative authorization. For the former, supervisors should exercise their authority to fulfil their responsibility to protect consumers. For the latter, supervisors should recommend legislative action when needed.

The report includes examples of actions most supervisors have authority to employ to protect consumers, but we suggest expanding on the use of data collection and publication to better empower consumers and encourage market forces to discipline insurer practices. For example, collection and publication of insurer consumer market outcomes – how frequently are claims denied, what are the reasons for claims denial, how long do claims take to settle are a few examples – so consumers have the information at the relevant time to empower consumers. Similarly, if a supervisor finds

that a high percentage of claims are denied because the policy provides no coverage, the supervisor should be motivated to examine policy contract language for unfair, deceptive or misleading terms or unfair and deceptive sales practices.

General Comment C: Expanding on the point of individual insurer business strategies versus overall market outcomes, in a market-based insurance system, individual insurers have their own business strategies and target markets. The individual insurer may decide to offer a specific set of insurance products with a line of business (e.g., whole life insurance only and not term life or target motor vehicle and residential property insurance offerings to more affluent consumers. Economic theory for a competitive market suggests that while individual insurers may target different customer segments, the market as a whole will serve all customer segments because each market segment offers an ability to profitably sell insurance. In practice, this is not the case because some markets and customer segments are not profitable or not sufficiently profitable for insurers or because some customer segments are so vulnerable that insurers serving these vulnerable segments can exploit that vulnerability and lack of competitive options for the consumers in that segment.

We raise this issue because the paper suggests that individual insurers should be responsible for financial inclusion and reach out to all types of consumers and product segments. While financial inclusion may be a good public relations opportunity for insurers, just as climate action and resilience may reflect corporate PR more than actual actions; it is unrealistic to expect any single insurer to develop products that meet the needs of all customer segments and all market segments. We suggest the paper acknowledge the limitations of market-based provision of insurance and the resulting protection gaps that result for both normal operation of markets and from market failures.

General Comment D: The paper goes to length to define and diverse consumers / customers as a particular group of consumers “who are not part of the normative or mainstream consumer profile that insurers and intermediaries often anticipate and cater to.” However, during the paper, diverse consumers are characterized by a variety of characteristics, including gender and many other characteristics. We suggest that all consumers may be vulnerable depending at some time (or all the time) depending on the product and consumer circumstances. So-called mainstream consumers are just as vulnerable to unfair or deceptive policy provisions or sales practices as so-called diverse consumers are. We suggest that the adding the layer of diverse consumers to fair treatment of consumers increases the complexity of the paper and its recommendations. We suggest that, in combination with the discussion in General Comment C, the paper explain that all consumers can be vulnerable at one time or circumstance or another and that insurers should focus on fair treatment of all their consumers while supervisors should focus on fair treatment of all consumers.

General Comment E: The paper discusses the role of risk assessment / risk-based pricing in Section 2. We suggest that a more robust discussion of risk assessment and risk classification is needed. First, it is important to state that risk assessment is not the purpose of insurance. Rather, the purpose of insurance is to create a risk pool in which individuals transfer their risk to the pool as a means for the individual to avoid catastrophic financial and economic outcomes if certain events occur. Risk classification is a tool to implement the pooling mechanism, but it is not the purpose of insurance.

Second, risk classification has very specific purposes in protecting the risk pool. By using risk classifications, the insurer avoids adverse selection and moral hazard, which can jeopardize the financial condition of the risk pool. However, history shows us that relatively few risk classifications are sufficient to accomplish this task and the exploding use of ever more granular and new risk classifications are not needed to protect the risk pool.

A second purpose of risk classification is to transmit risk information to consumers to encourage less risk behaviour and investments in loss mitigation as well as to alert consumers (including small businesses) of the cost of protection of their investments in long-lived assets, such as property structures. Price alone does not and cannot accomplish this. For risk classification to meet this purpose, the insurer must utilize risk classifications that can prompt consumer action and disclose the risk classifications to the consumer. Insurers today utilize a variety of risk classification that are outside of the control of the consumer and hence thwart this important purpose of risk classification. In fact, insurers utilize many risk classifications that are not related to risk assessment, but are related to profitability, including price and claims optimization, consumer lifetime value scores and proxies for income, such as household composition, marital status, criminal histories and credit scores, all of which can reflect and perpetuate historic discrimination against protected classes. The paper should not suggest that insurers' use of risk classification is limited to assessing risk and should highlight the fact that unfettered risk classification creates consumer protection concerns.

A third purpose of risk classification is to reflect societal values of fairness. There are no "natural" risk classifications. Rather all risk classifications are public policy choices that should reflect the jurisdiction's view of fairness. For example, actuarial fairness would require life insurance risk classifications for race, religion and national origin, but most jurisdictions prohibit such risk classification. Similarly, in some jurisdictions with private health insurance, insurers may not decline coverage or charge different premiums for pre-existing conditions. The take-away is that unfettered risk classification is a reflection of societal values of fairness and supervisory oversight of risk classifications is essential for consumer protection.

In summary, the paper should not suggest that unfettered risk classification is either necessary for insurers or represents an accepted concept of fairness.

2	<p><u>Comments on section 1.1 Context and objective</u></p> <p>We suggest that fair treatment of consumers is somewhat distinct from diversity, equity and inclusion. By somewhat equating DEI with fair treatment of consumers, the paper conflates fair treatment of consumers with financial inclusion. Insurers treating consumers fairly does not equate to financial inclusion. See general comment C. The working group might consider separate application papers for fair treatment of consumers and for promoting financial inclusion.</p>
3	<p><u>Comments on Box 1: Interpretation of key terms in this paper</u></p> <p>See prior comment on section 1.1. See also our general comment D.</p>
4	<p><u>Comments on section 1.2 Related work by the IAIS</u></p> <p>We commend the IAIS for the extensive work on fair treatment of consumers and DEI. We do note in paragraph 9 the role of insurer culture. We also note central role business culture in graphic 2 as a means of implementing fair treatment of consumers. We are sceptical of the contention of the central role of insurer culture in ensuring fair treatment of consumers or achieving financial inclusion. We ask for any empirical evidence of this connection because we can point to any number of instances in which insurers claiming a consumer-centric culture produce unfair treatment of consumers. Further, the culture of most insurers is driven by the demands of their investors.</p>
5	<p><u>Comments on section 1.3 Proportionality and jurisdictional specificities</u></p> <p>Examples of proportionality would be helpful.</p>
6	<p><u>Comments on section 2.1 Risk-based pricing and DEI</u></p> <p>See general comments C and E.</p>
7	<p><u>Comments on section 2.2 Insurer's autonomy to decide the scope of its business and DEI</u></p> <p>See general comments C and E.</p>
8	<p><u>Comments on section 3 Risk of unfair treatment of diverse consumers</u></p>

	See general comment A, C and E. We suggest that all consumers are entitled to fair treatment and all consumers may be or become vulnerable for certain products in certain circumstances. While the discussion of vulnerable consumers is important and necessary, it is unclear if a definition and discussion of diverse consumers is needed in this application paper.
9	<u>Comments on section 3.1 What we mean by diverse consumers</u> See comment on Section 3.
10	<u>Comments on section 3.2 How unfair treatment arises</u> This section contains an excellent discussion.
11	<u>Comments on Box 2: Examples of diverse consumers excluded from insurance products or encountering difficulties</u> This box could be renamed examples of vulnerable consumers excluded from insurance products or encountering difficulties. It seems odd to us to create a category of consumers called diverse that encompasses nearly all consumers at one time or another.
12	<u>Comments on section 4 Implementation of ICP 19 to drive fair treatment of diverse consumers</u> We suggest this section is appropriate to drive fair treatment of all consumers. Please see our comment questioning the central role ascribed to insurer culture in comment on section 1.2.
13	<u>Comments on section 4.1 Embedding fair treatment of diverse consumers into the business culture</u> This section equates insurer culture with some specific practices that are independent of insurer culture, such as a strong compliance function and a feedback/remediation mechanism. We also cite this section as an example of fairly general recommendations both in the four bullets and recommendations. For example, one recommendation is for insurers to take steps to reduce unconscious bias. It would be useful to provide an example of how that is accomplished.
14	<u>Comments on Box 3: Unconscious biases and stereotypes</u> This section describes unconscious bias as unfounded stereotypes. We suggest that a major source of unconscious bias is the background of the individual. A person raised in a majority middle class or affluent neighbourhood has different life experiences than a person raised in a minority low-

	income neighbourhood – at least in the US. The former brings a set of life experiences and normative judgments that likely differs from the latter. This is why diversity in staffing is critical for insurers and intermediaries.
15	<p><u>Comments on section 4.2 Ensuring the fair treatment of diverse consumers in product design</u></p> <p>This section contains an important and useful discussion. We suggest employing the methodology discussed in general comment B.</p>
16	<p><u>Comments on section 4.2.1 Identifying whether there are diverse consumers within the targeted consumers</u></p> <p>This section suggests that insurers have a responsibility to meet the needs of all consumers, even if they are targeting a particular section of the market or group of consumers. Insurers may find this section confusing as to their responsibilities. Supervisors may find this section confusing as their responsibilities vis a vis individual insurer business strategy. Please also see our general comment. C.</p>
17	<p><u>Comments on section 4.2.2 Determining whether the coverage, benefits, disclosures and pricing are aligned to the needs of the diverse consumers amongst the target group</u></p> <p>We suggest more specific delineation of recommendations for insurers versus recommendations for supervisors, perhaps as simple as adding “for insurers” or “for supervisors” to the recommendations headings. It is also a bit confusing because there are recommendations for insurers and then recommendations for supervisors, which include recommendations of what supervisors should expect from insurers. It would also be good to provide examples of the last bullet in these recommendations for supervisors. For example, one of the bullets is pricing mechanisms do not discriminate against diverse consumers. Guidance should include specific testing requirements for both supervisors and insurers to ensure this outcome. Further, it is unclear how an insurer can unjustly discriminate against diverse consumers. An insurer can engage in unfair discrimination by failing to employ risk-based assessments or by discriminating on the basis of a prohibited class or classification. Phrasing this “should” as “unjust” discrimination against diverse consumers is vague and untethered to any fairness standard.</p> <p>Having said the above, it is unclear why an application paper intended for supervisory guidance includes recommendations to insurers. Do supervisors have the authority or mandate to tell insurers how to operate their business as opposed to ensuring that insurers comply with applicable laws and produce good consumer outcomes?</p> <p>This discussion should include specific guidance for supervisors and insurers to test their data and algorithms for unfair discrimination based on the jurisdiction’s fairness standards.</p>

	<p>This section starts with “once it has been determined that diverse consumers are reasonably within the targeted group,” products must be designed to meet consumer needs and characteristics. This guidance is relevant for all consumers and should not be limited to diverse consumers. The last bullet in supervisor guidance on expectations of insurers is excellent. Examples would amplify this guidance. The second bullet discusses situation in which the supervisor does not approve products. It would be useful to explain the supervisory authority to accomplish the guidance in this bullet.</p>
18	<p><u>Comments on Box 4: Considerations on technology and data</u></p> <p>This information is important and essential. We suggest the text be more explicit in requiring insurers to test for fairness, however defined in the jurisdiction and eliminate the use of risk classifications that serve as proxies for protected class characteristics. The box should also specify that supervisors should also be collecting the relevant data and independently testing insurer-specific outcomes and overall market outcomes. The last sentence in this box is unnecessary. It is axiomatic that insurers utilize data or technology to further their business purposes. The paper need not provide public relations for the insurance industry.</p>
19	<p><u>Comments on section 4.2.3 Designing appropriate product distribution methods</u></p> <p>Again, this guidance is relevant for all consumers, not just diverse consumers.</p>
20	<p><u>Comments on section 4.3.1 Marketing communications and disclosures that account for diverse consumers</u></p> <p>In the recommendations, examples of bullets 1, 2 and 3 guidance would be helpful. Bullet 4 should more explicitly state that insurers should test the effectiveness and outcomes of the marketing and disclosure for poor outcomes for particular types of consumers. We suggest “examine” is not sufficiently strong guidance. Finally, this guidance is directed at insurers. What is the guidance for supervisors?</p>
21	<p><u>Comments on section 4.5 Working towards greater inclusion of diverse consumers across the insurance sector</u></p> <p>This section (4.5) is incredibly important and we suggest examples of the various suggestions and recommendations. We particularly suggest expansion of the discussion of collecting consumer data, as discussed in our general comment B. We also suggest that testing of consumer market outcomes through analysis of quantitative and qualitative data be included and discussed. We also point out the difference between fair treatment of consumers and financial inclusion. The first three recommendations is 4.5.2 seem directed at financial inclusion. The fourth recommendation on consumer education can be enhanced through discussion of the types of data collection, publication and provision of information at relevant times to consumers. Supervisors have the ability to do much more than support initiatives of others.</p>