

# **Draft Application Paper on how to achieve fair treatment for diverse consumers**

**June 2024**



## About the IAIS

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

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

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

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# 1 Introduction

## 1.1 Context and objective

1. In 2021, the International Association of Insurance Supervisors (IAIS) made diversity, equity and inclusion (DEI) a key strategic theme. The IAIS aims to promote DEI in the insurance industry by encouraging it within insurers institutionally (eg their workforce, leadership, culture, decision-making and risk management) and in the customer-facing aspects of how insurers and intermediaries conduct their businesses (eg providing equitable and inclusive treatment of customers, while taking into account the diversity of the customer base).
2. Adopting greater regard for DEI in the customer-facing sense involves recognising that fair or unfair treatment for one type of customer may not be the same for another type of customer. Different factors need to be considered for consumers who are not part of a more typical or mainstream customer profile. This includes consumers who may be underserved, disabled, of a different racial or cultural background, with unique needs that distinguish them from a majority customer profile, or experiencing vulnerability (collectively, “diverse consumers” – see Section 3.1 for additional discussion).
3. This application paper prepared by the IAIS’ Market Conduct Working Group (MCWG) provides guidance on how supervisors, insurers and intermediaries can use a DEI perspective to interpret and fulfil existing requirements in Insurance Core Principle (ICP) 19 (Conduct of Business) to treat customers fairly (focusing on standards 19.1, 19.2 and 19.5). The recommendations in this paper identify key opportunities to effectively implement the principle of fair treatment of customers so that a diverse range of customers experience fair treatment; they do not introduce new requirements.
4. The application paper is structured as follows:
  - Section 1 establishes that considering the fair treatment of diverse consumers is relevant for supervisors, insurers and intermediaries;
  - Section 2 explains how the concepts of risk-based pricing and insurer autonomy can coexist with DEI considerations;
  - Section 3 discusses how unfair treatment of diverse consumers can arise based on examples of unfair treatment observed by IAIS members and insights from consumer groups, including past, current and future risks; and
  - Section 4 outlines recommendations on how to drive fair outcomes for diverse consumers using ICP 19.
5. Appropriate service of diverse consumers requires striving for fair and equitable outcomes for those consumers that takes into account their circumstances and backgrounds. It includes addressing any systemic or idiosyncratic inequities in insurance practices, such as pricing or underwriting criteria not based on risk, claims processes that do not meet customer needs, and access to insurance coverage which unreasonably excludes diverse consumers. Insurers and intermediaries should 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.
6. Some guidance in this paper is expressed as recommendations directly derived from ICP 19 and identified as actions that “should” be taken or are “good practice”. Other guidance is expressed as suggestions (identified as actions that “may” be taken) in service of the aim of ICP 19, which

is to promote fair consumer outcomes, strengthen trust and confidence, minimise reputational risk and create a level playing field in the insurance sector.<sup>1</sup>

**Box 1: Interpretation of key terms in this paper**

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

**Consumers:** The universe of actual and potential customers for insurance products.<sup>2</sup>

**Customer:** Policyholder or prospective policyholder with whom an insurer or insurance intermediary interacts, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy.<sup>3</sup>

**Diverse consumers/customers:** 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 (refer to diversity definition below) and/or circumstances of vulnerability (refer to vulnerable consumers definition below). For more explanation see Section 3.1.

**Diversity:** A reflection of the differences between people. This includes different perspectives, abilities, knowledge, attitudes, skills, experience, ways of thinking and demographic characteristics. Demographic characteristics may include, but are not limited to, characteristics such as age, disability, ethnicity, gender, national origin, religion and sexual orientation, as well as cultural, educational and/or socio-economic background. Different ways of thinking may include, but are not limited to, different ways of reasoning, processing information, making decisions, problem solving, learning, creating and innovating.

**Equity:** Seeking to achieve fairness for all through allocating resources and opportunities in a way that recognises the different circumstances and needs of different groups of people, particularly where there is evidence of disadvantage amongst certain groups. **Equity is different from equality:** equality offers the same resources and opportunities to everyone, while equity helps remove the barriers that some people may face in accessing resources and opportunities. (**Inequity** refers to unfairness, injustice.)

**Inclusion:** When all people, regardless of their differences, feel a sense of belonging and feel 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, resources and benefits, and feeling accommodated and respected in their interactions with insurers.

**Vulnerable consumers:** People who are especially susceptible to harm due to personal characteristics and/or external circumstances. Their risk of harm is elevated when a financial services entity fails to act with the appropriate level of care, including considering the causes and extent of a customer's vulnerability.

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<sup>1</sup> ICP 19.0.1 says: "Requirements for the conduct of insurance business help to:

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

<sup>2</sup> [IAIS Glossary](#).

<sup>3</sup> [IAIS Glossary](#).

## 1.2 Related work by the IAIS

7. In December 2022, the IAIS published a [stocktake report](#) on actions IAIS member supervisors, other international organisations and the insurance industry are taking to advance DEI in the global insurance sector. The stocktake was a first step to inform further IAIS work to promote DEI in support of its mission and strategic plan, which includes promoting greater awareness of diverse needs and fostering inclusion in the insurance industry.
8. This paper is part of ongoing IAIS work in service of this. Other work includes:
  - The Governance Working Group (GWG) of the IAIS is currently developing an 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<sup>4</sup>
  - The Financial Inclusion Forum (FIF) of the IAIS is currently developing an updated version of an application paper originally published in 2012 on regulation and supervision supporting inclusive insurance markets.<sup>5</sup>
9. Other IAIS material addressing issues interlinked with this application paper include:
  - In the context of customer-facing issues that risk offending DEI values, the Issues Paper on the use of big data analytics in insurance (2020) elaborated on issues of potential discrimination, bias and exclusion linked to the use of artificial intelligence (AI) and machine learning (ML); and
  - The Issues Paper on insurer culture (2021) explored the role of insurer culture, which informs decisions, behaviours and practices across an insurer's business, as a critical intersection point for managing prudential and conduct risks. This paper identified that insurers' approaches to DEI issues are likely to influence their culture and vice versa.

## 1.3 Proportionality and jurisdictional specificities

10. Application papers should be read in the context of the proportionality principle, as described in the Introduction to the ICPs.<sup>6</sup> The guidance, illustrations, recommendations or examples of good practice provided in this application paper do not supersede this overarching proportionality principle.
11. As outlined under ICP 19.0.3, it is important to note that: "Conduct of business, including business practices, is closely linked with jurisdictions' tradition, culture, legal regime and the degree of development of the insurance sector. For this reason, supervisory approaches to the conduct of business also tend to vary. Such diversity should be taken into consideration in implementing this ICP, and related standards and guidance material, in order to achieve the outcome of fair treatment of customers."

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<sup>4</sup> Refer to [Public consultation of Application Paper on supervising diversity, equity and inclusion – the governance, risk management and culture perspective](#).

<sup>5</sup> Consultation is anticipated for Q4 2024.

<sup>6</sup> "Implementation – proportionality allows the ICPs to be translated into a jurisdiction's supervisory framework in a manner appropriate to its legal structure, market conditions and consumers.

Application – proportionality allows the supervisor to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole. A proportionate application involves using a variety of supervisory techniques and practices which are tailored to the insurer to achieve the outcomes of the ICPs. Such techniques and practices should not go beyond what is necessary in order to achieve their purpose."



12. Local circumstances are relevant to insurers, intermediaries and supervisors when identifying their diverse consumers requiring special consideration under ICP 19, and what is required to ensure fair treatment of these diverse consumers. Acknowledging jurisdictional specificities allows supervisors to align their individual requirements and expectations with the unique needs and contexts of their jurisdiction.<sup>7</sup> Relevant laws of the jurisdiction (including any legal obligations or limitations), any existing standards and codes, and the supervisors’ mandate and powers will all be relevant to the expectations supervisors have and the actions they may take.

## 1.4 Scope of this application paper

13. 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.

14. Fair treatment of diverse consumers is relevant and applicable to all ICP 19 standards; however, this application paper particularly focuses on the following three standards:

- ICP 19.1: The supervisor requires insurers and intermediaries to act with due skill, care and diligence when dealing with customers;
- ICP 19.2: The supervisor requires insurers and intermediaries to establish and implement policies and processes on the fair treatment of customers, as an integral part of their business culture; and
- ICP 19.5: The supervisor requires insurers to take into account the interests of different types of consumers when developing and distributing insurance products.

15. Other ICP 19 standards (19.8, 19.10 and 19.11) are also referenced in the application paper.

## 2 Risk-based pricing and insurer autonomy

### 2.1 Risk-based pricing and DEI

16. 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. 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, which helps to increase the funds available to enable an insurer to pay out claims to all insured individuals.

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

Life and health	Property and casualty
Age	Location of property
Health	Purpose of property
Occupation	Construction method(s) used

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

Lifestyle choices	Cost of repair and replacement
Family history	Liability exposure
Claims history	Claims history

18. 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, including those who are diverse. Examples include:

- Using current information instead of outdated data (eg obtaining the latest medical information rather than the old data);
- 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 considering the use of alternative data points that will provide a more accurate risk profiling;
- Adopting policies specifying that certain less relevant or outdated information will not be factored into risk-based pricing models for the reason of enhancing fairness (eg the right for certain previous medical diagnoses to be forgotten after five years, which is a step that has been taken in some jurisdictions). Contribution of knowledge and collaboration between insurers, the medical profession, academia and consumer advocates/representatives can facilitate progress on this; and
- Ensuring that evolving technology avoids undesired outcomes for diverse customers (eg the increasing use of AI systems by insurers to underwrite, price and service their products may, amongst other things, embed bias).

## 2.2 Insurer’s autonomy to decide the scope of its business and DEI

19. Insurers and intermediaries operate to pursue commercially viable businesses while complying with the legal obligations and restrictions of the environment in which they operate. In some jurisdictions, there are cases where insurers are legally required to offer insurance to certain consumers who they may otherwise choose not to serve, such as a rule requiring motor vehicle insurers to provide insurance to all consumers who qualify. More generally, though, insurers have the autonomy to decide on their product range and target market based on their business model, risk appetite and market considerations. The result of this commercial freedom may be unfair for diverse consumers when they are unable, across the total insurance market, to access insurance coverage that meets their needs.

20. Absent some special local requirement, individual insurers are not required to meet the insurance needs of all types of consumers within a population. That said, insurers and intermediaries are authorised to offer insurance to the population to serve a need, which may bring a societal expectation (in some jurisdictions the term “social licence” is used) that they will collectively deliver on this purpose for the 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 consumers. Ways to achieve this include:

- Insurers and intermediaries using demographic data, community stakeholder engagement and policyholder demographic research to identify the extent to which they are serving diverse consumer segments, and to verify they are treating all customers fairly, notwithstanding any diverse or vulnerable characteristics;



- Each insurer and intermediary challenging itself to expand its product range and/or modify existing exclusions, to better meet the circumstances and needs of diverse consumers;
- 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;
- The insurance industry adopting 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 commitment to fair treatment of diverse consumers and greater inclusion.

### 3 Risk of unfair treatment of diverse consumers

#### 3.1 What we mean by diverse consumers<sup>8</sup>

21. “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 that differ compared with the needs of the normative or mainstream consumer profile.
22. 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.
23. 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.
24. “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 (eg survivor of a natural disaster or someone experiencing a distressing life

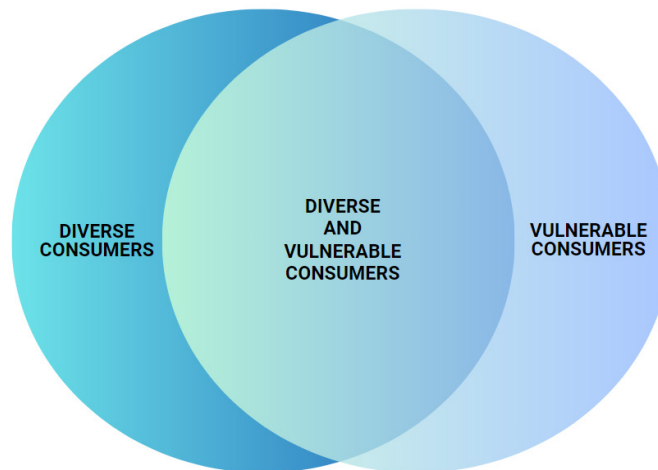
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<sup>8</sup> Readers are also reminded of Box 1: Interpretation of key terms in this paper.

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.<sup>9</sup>

25. 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.

**Graphic 1: Consumer diversity and vulnerability may intersect**



### 3.2 How unfair treatment arises

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

- **Insurance that does not effectively meet the customer's needs** – Poor outcomes result for diverse consumers when they purchase insurance but it does not provide them value and/or is unsuitable for them. This can arise when insurers and intermediaries have a limited understanding of the needs and preferences of diverse consumers, leading the insurer to develop and distribute products that do not effectively address those needs and resulting in a mismatch between what consumers require and what is being offered and purchased. Poor outcomes can also arise when diverse consumers are not effectively supported and enabled to make informed purchasing choices, for instance if they are unable to access and understand important information about products or contractual terms;
- **Issues related to after-sale servicing** – Servicing customers after the sale of an insurance policy should continue through the product's lifespan. This is especially true when dealing with diverse consumers, including beneficiaries who may need to make a claim. If claims processing is delayed or denied due to a failure to accommodate diversity, it may lead to unfair treatment. Insurance policies often have complex terms, conditions and exclusions that

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<sup>9</sup>[Exposure Draft on Fair Treatment of Vulnerable Consumers | BNM](#)  
[Treating vulnerable consumers fairly | FCA](#)  
[Guidance for firms on the fair treatment of vulnerable customers | FCA](#)  
[Preventing elder financial abuse | AMF](#)  
[Barriers to managing money online | AFM](#)  
[Dutch nationals with a migration background | AFM](#)

require adherence to specific processes and documentation, including electronic procedures that may be challenging for individuals with disabilities or language barriers;

- **Lack of access to insurance** – Insurance offers financial protection against various risks and uncertainties. However, some diverse consumer groups, such as low-income individuals, marginalised communities, or those with pre-existing health or other conditions, may struggle to access or afford insurance. This can leave them more vulnerable to financial hardships resulting from unforeseen events such as accidents, natural disasters or health issues. Lack of access to digital resources can further exacerbate the inability for certain diverse groups to access insurance, making it difficult to find information about insurance products, enrol in coverage or submit claims online; and
- **Intentional targeting of vulnerable consumers** – In some cases, insurers and intermediaries have been found to have deliberately targeted vulnerable consumers who are less informed or have limited access to information and employed aggressive marketing, deceptive advertising or unfair pricing strategies to take advantage of these customers' circumstances. Some examples of these diverse consumers may be new immigrants, social grant recipients or low-income groups where the distribution and sales strategies rely on sales incentives, community ties and co-location (ie at the point of grant collection), rather than the insurance benefits, to complete sales.

### ***Box 2: Examples of diverse consumers excluded from insurance products or encountering difficulties***

**Gender:** Women have faced discrimination in certain insurance products, particularly in health and life insurance. Women have often been charged higher premiums than men for the same coverage,<sup>10</sup> particularly in health insurance, based on unreliable data suggesting women have higher healthcare costs. In other instances, healthcare has important exclusions, including maternity<sup>11</sup> and pregnancy-related injuries, while covering diseases typically faced by men.

**Occupation:** Insurance products designed for traditional employment structures might not address the specific needs and risks faced by gig economy workers<sup>12</sup> and self-employed individuals. In particular, without access to employer-sponsored health insurance, these individuals may struggle to afford individual products or be left uninsured entirely.

**Racial or ethnic discrimination:** There have been instances where racial or ethnic discrimination has occurred in insurance practices. For instance, there have been cases where insurers have used postal or zip codes, which can be correlated with race or ethnicity, to determine premiums for auto insurance, potentially resulting in higher rates for minority communities when their individual risk factors are comparable.

**Sexual orientation or gender identity:** LGBTQ+ individuals have historically faced discrimination in insurance coverage. They might be denied coverage or charged higher premiums based on their sexual orientation or gender identity. Additionally, transgender individuals might face challenges in obtaining coverage for transition-related healthcare and insurance coverage after transition.

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<sup>10</sup> In many jurisdictions this has led to gender-based pricing being outlawed.

<sup>11</sup> See [a2ii.org/en/knowledge-center/gender/the-role-of-insurance-supervisors-in-boosting-womens-access-to-insurance](https://a2ii.org/en/knowledge-center/gender/the-role-of-insurance-supervisors-in-boosting-womens-access-to-insurance).

<sup>12</sup> The term “gig economy workers” generally refers to people who work in activities that use digital platforms to connect. These tend to involve independent contractor or freelance employment relationships that are part-time, temporary, casual and short-term.

**Disability:** People with disabilities might face exclusion or discrimination in insurance coverage. For example, individuals with pre-existing conditions or disabilities might struggle to find health insurance coverage that meets their needs, or they may face higher premiums due to perceived health risks. Furthermore, online insurance platforms and applications may not be accessible for individuals with visual impairments or other disabilities, creating barriers to understanding and purchasing insurance.

**Pre-existing conditions and illness:** Conditions such as a cancer diagnosis or a history of cancer can impact someone's ability to access insurance. This can have a wider impact on access to financial services as insurance can also act as a gateway to other financial services and products. There have been instances where consumers have not been able to access a mortgage because they have been declined the required payment protection insurance because they are in remission of cancer.

**Socio-economic:** Lower-income individuals might face exclusion from certain insurance products due to affordability issues or to irregular or less secure employment. Although this is not always intentional discrimination, it can result in certain demographic groups being effectively excluded from coverage.

These examples highlight how diverse consumers can face exclusion from or discrimination in respect of insurance products based on diversity and create situations where supervisors, insurers and intermediaries should consider whether consumer outcomes are aligned with ICP 19.

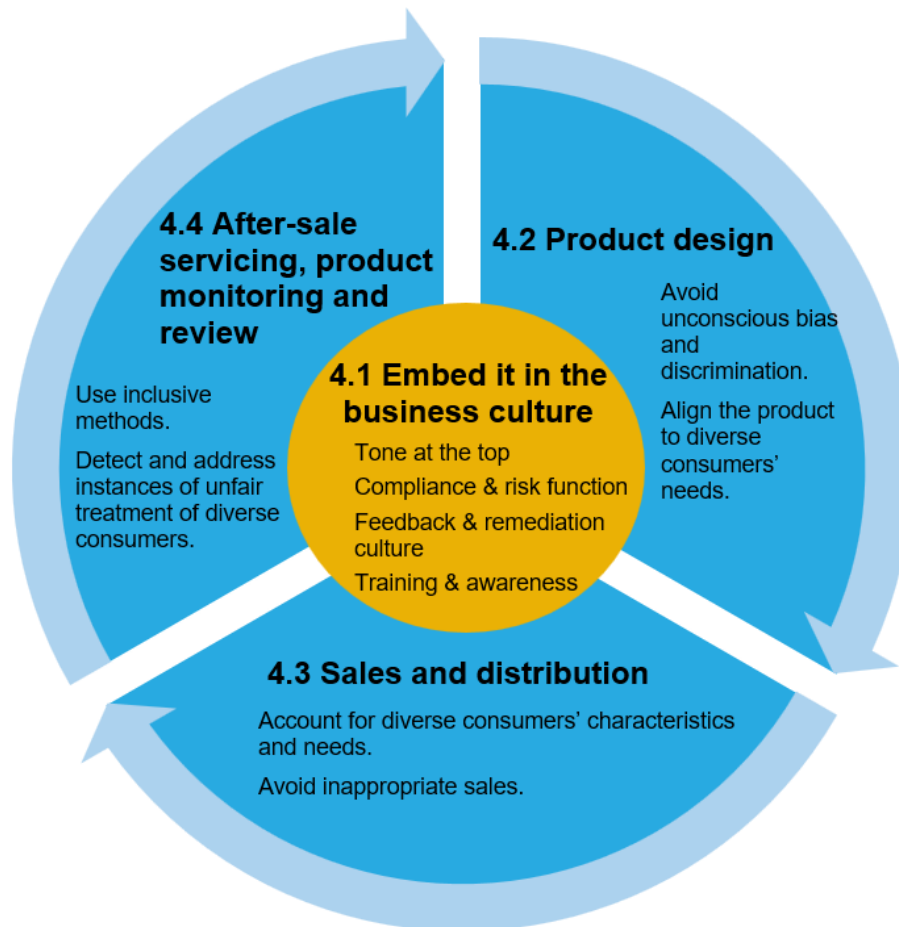
## 4 Implementation of ICP 19 to drive fair treatment of diverse consumers

27. 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.
28. Consumers have diverse characteristics and needs. To ensure their fair treatment – and to achieve the desired outcomes from ICP 19 – it is important to consider how diverse consumers are treated when evaluating the business culture of an insurer/intermediary and throughout the stages of the product life cycle.
29. This section provides recommendations and considerations on how insurers, intermediaries and supervisors should seek to achieve fair treatment of diverse consumers, considering their unique traits and characteristics. The intention is to ensure that diverse consumers are treated fairly and that outcomes for diverse consumers are equitable overall. 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.
30. Where an intermediary performs activities on behalf of insurers in the design and/or distribution of products, the good practices, suggestions and recommendations expressed in this section as applicable to insurers also apply to the intermediary as the agent of and/or service provider to the insurer.
31. The recommendations in subsections 4.1 to 4.4 of this paper concern how to implement ICP 19 in a way that achieves fair treatment of diverse consumers. More specifically:
  - In 4.1 – properly embedding the fair treatment of diverse consumers as part of the business culture;

- In 4.2 to 4.4 – securing the fair treatment of diverse consumers at each stage of the product life cycle, which includes:
  - In 4.2 – meeting the needs of diverse consumers and avoiding unconscious biases and discrimination in the product design process;
  - In 4.3 – appropriately selling and distributing insurance to diverse consumers by taking their characteristics and circumstances into account; and
  - In 4.4 – suitable after-sale servicing mechanisms that are inclusive rather than exclusive to diverse customers and that also effectively detect instances of unfair treatment.

32. Graphic 2 summarises the recommendations, with cross-referencing to subsections 4.1 to 4.4 of this paper.

**Graphic 2: How to implement ICP 19 to drive fair treatment of diverse consumers**



33. Subsection 4.5 of this paper makes suggestions to give effect to the full intent of ICP 19<sup>13</sup> by encouraging the supervisory community and the insurance sector to work towards a more

<sup>13</sup> ICP 19.0.1 says: “Requirements for the conduct of insurance business help to:

- protect policyholders and promote fair consumer outcomes;
- strengthen public trust and consumer confidence in the insurance sector;
- minimise the risk of insurers and intermediaries following business models that are unsustainable or pose reputational risk, thereby complementing the risk management framework of a solvency regime; and

inclusive insurance sector that better serves diverse consumers' insurance needs, including those consumers who are currently underserved or who require special consideration when receiving insurance services.

34. It is important to note that the topic of DEI is evolving. This application paper also aims to encourage, through a wider social impact call, a proactive dialogue among market participants and supervisors on how to continue to evolve practices to adapt to changing markets and changing needs of diverse consumers. This can be done by coordinating efforts between supervisors, sharing information, supervisory learnings and providing perspectives from, and exposure to, other regulatory environments and other involved stakeholders.

#### 4.1 Embedding fair treatment of diverse consumers into the business culture

35. Serving diverse consumers requires an awareness that there may be systemic or idiosyncratic inequities or unfairness that exist within the way the insurance business is conducted, either because of inherent societal inequities, bias, or ignorance, or because of suboptimal business practices.
36. This subsection outlines how an insurer's business culture can help promote fair treatment of diverse consumers. The [2021 IAIS Issues Paper on insurer culture](#) emphasised the importance of ensuring that insurers embed an organisational culture which consistently promotes sound prudential and conduct outcomes. Active prioritisation of DEI considerations is the most effective way to ensure fair treatment of diverse consumers. Furthermore, embedding policies, procedures, controls and reporting (including in the key compliance, risk and internal audit functions) designed to ensure the fair treatment of diverse consumers will contribute to achieving the ICP 19.2 standard that requires insurers and intermediaries to "establish and implement policies and processes on the fair treatment of customers, as an integral part of their business culture".
37. Building upon the guidance of ICP 19.2.4, supervisors should particularly consider the following business culture attributes when determining whether an insurer or intermediary is well positioned to treat diverse customers fairly:
- **Tone at the top** – the tone at the top can play a crucial role in establishing an organisational culture that is aware of DEI considerations throughout the product life cycle. Promotion of DEI considerations at the board and senior management level can increase fair treatment of diverse consumers;
  - **Strong compliance/risk function** – limited emphasis on compliance and risk procedures can lead to insufficient consideration given to the fair treatment of diverse consumers. Inadequate due diligence towards diverse consumers may be attributed to a business culture that does not prioritise compliance and risk management. Compliance policies and procedures can be designed to ensure good outcomes for diverse consumers. In particular, internal controls can ensure that instances of unfair treatment of diverse customers are prevented, detected and adequately and promptly addressed. A professional complaints procedure can also contribute to detecting instances of unfair treatment;
  - **Promoting a constructive feedback/remediation culture** – a specifically important element to foster a healthy organisational culture is to stimulate the learning capacity of the organisation and promote a healthy feedback culture, leading to appropriate remediation. Providing constructive feedback can create psychological safety in teams and organisations

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- support a sound and resilient insurance sector by creating level playing fields in terms of the basis on which insurers and intermediaries can compete while maintaining business practices that support the fair treatment of customers."



in which insurers and intermediaries feel free to identify and address failures to treat diverse consumers fairly. Providing feedback is an essential part of creating a psychologically safe environment and acting on identified issues both addresses the issue and encourages future open feedback; and

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

### ***Box 3: Unconscious biases and stereotypes***

Unconscious biases are defined as the tendency people hold for human judgments, associations and discriminatory (social) stereotypes without being aware of it or having actual evidence. These biases happen when people form opinions about consumers based on implicit positive or negative stereotypes or preconceived notions which can negatively impact diverse consumers. Unconscious biases can have detrimental impacts on business operations and may lead to unintentionally discriminatory practices, policies and pricing, thereby negatively impacting diverse consumers.

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

### **Recommendations:**

- Insurers/intermediaries should 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 consumers with whom the business is likely to interact and reducing the risk of their unfair treatment. Making these policies public will promote transparency and accountability;
- Insurers/intermediaries should use mechanisms, such as collection and analysis of complaints data, that enable them to have a realistic understanding of the experience diverse consumers have with their business;
- Insurers/intermediaries should take active steps to reduce unconscious biases, use of stereotypes and discrimination in their business processes and throughout their business culture;
- The fair treatment of diverse consumers, as part of meeting the obligation to treat customers fairly, should be integrated into the business culture and ongoing operations of the insurer/intermediary, particularly at senior management and board level;
- Insurers/intermediaries should create a safe environment so that any signs or reports of detrimental treatment of diverse consumers are identified and rectified. This should include internal compliance and reporting mechanisms, and prompt communication of critical risks and information on unfair treatment of diverse consumers to the board and senior management; and
- Insurers/intermediaries should provide training, internal guidance and communications for staff members to ensure they can identify, understand and serve the needs of diverse consumers, paying special attention to training staff involved in product design and staff in consumer-facing

roles such as distribution and after-sales servicing. It is also encouraged to have staff from sufficiently diverse backgrounds that reflect the society in which the insurer/intermediary operates.

## **4.2 Ensuring the fair treatment of diverse consumers in product design**

38. The development and design of insurance products is the first stage of a product life cycle and it is an extremely important phase as it defines the product's characteristics – including coverage and exclusions.
39. ICP 19.5 requires “insurers to take into account the interests of different types of consumers when developing and distributing insurance products”. Recognising that consumers are not all the same, there is a risk that products may not be appropriate for and/or may be detrimental to certain consumers. This may occur if different consumer groups, and their differing needs, are not taken into account during product design and development processes.
40. In the product design and development phase, insurers determine whether their product offering delivers reasonably expected benefits to the targeted consumers whose needs the product aims to address and this may include diverse consumers. Insurers further define whether the distribution methods are appropriate for the product and the targeted consumers – including diverse consumers. And finally, they identify possible risks relating to the product, including from changes in the environment in which the product is distributed.
41. In some jurisdictions, supervisors have the power to approve contract conditions and pricing and in others they may require insurers to have adequate product design and development processes. In both cases if, before bringing a product onto the market, there is not a clear assessment of the main characteristics of a product, its distribution method and the relevant related disclosures, including vis-à-vis diverse consumers who may be part of the targeted consumer group, there is a risk that:
  - The product may offer lower value to some consumers within the identified targeted consumers, because of their diverse traits and characteristics;
  - Possible discrimination against certain categories of consumers and/or mis-selling may result for the diverse consumers in the targeted consumer group, particularly arising from product exclusions; and
  - Product-related risks, including for diverse consumers, or other consumers who may become vulnerable due to the changing environment, may not be sufficiently detected and monitored.
42. Some products may also be designed in a way that deliberately takes advantage of some consumers' diversity, biases and behaviours, especially the more vulnerable consumers. For example, the so-called “price walking” practices, whereby consumers with limited propensity to shop around are unfairly charged higher premiums. The elderly and less digitally literate consumers are examples of diverse consumers that may be especially at risk.

### ***4.2.1 Identifying whether there are diverse consumers within the targeted consumers***

43. The risk of unfair treatment of diverse consumers can arise whenever processes and procedures lead to the poor identification and definition of the targeted group of consumers and/or when

insufficient attention is paid to whether the targeted group of consumers includes diverse consumers.<sup>14</sup>

44. Before bringing a product onto the market, insurers should identify the targeted group of consumers to whom they intend to sell the product as part of their product development and design process (ICP 19.5.5). In doing so, sufficient attention should be paid to whether the targeted group of consumers includes diverse consumers that require special consideration to ensure fair treatment.
45. 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:
  - May have specific coverage needs;
  - Could also be at higher risk of certain pricing practices which unfairly discriminate against them; and/or
  - May process information in a different manner.

#### **Recommendations:**

- Insurers should identify whether there are reasonably likely to be diverse consumers within the target group. If yes, they should clearly identify and take into account their needs and characteristics in the product design. This should include their coverage needs but also their behaviours and the way in which they are likely to access insurance products and process information;
- Staff working on product design and development should receive sufficient DEI training to better facilitate the insurer's understanding of diverse consumers' needs and characteristics. It is also good practice for the staff themselves to be from sufficiently diverse backgrounds because diversity in an insurer's workforce and leadership contributes to broader understanding of the needs of various types of consumers, greater innovation capacity, reduced risk of groupthink, and less likelihood of systemic misconduct;<sup>15</sup>
- Insurers should adapt their product design and market research processes to be DEI-conducive, for instance by ensuring that consumer research/panels/focus groups are appropriately diverse; and
- Insurers should design clear criteria in policies and procedures as to whether, because of the characteristics of the product (eg product complexity, coverage, eligibility, claims thresholds, etc), certain consumers should be excluded from the target group and not be sold the product. This should be intended to protect diverse consumers from buying ill-suited products.

#### **4.2.2 *Determining whether the coverage, benefits, disclosures and pricing are aligned to the needs of the diverse consumers amongst the target group***

46. 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.

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<sup>14</sup> It is likely that there are some diverse consumers within any target group, but this may depend on the granularity of the target group. It may also depend on the types of products, the services offered and the general market conditions. In general, this section aims to ensure consumers are fairly treated, especially diverse ones.

<sup>15</sup> For a more complete exploration of the benefits, refer to Section 2 of the IAIS [Draft Application Paper on supervising diversity, equity and inclusion: the governance, risk management and culture perspective](#) (March 2024) in public consultation 14 March – 14 June 2024.

47. 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 unsuitable for diverse consumers. For example, a product may not offer reasonably expected benefits and coverage because of the differing needs of diverse consumers.

**Recommendations:**

- 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 have been appropriately taken into account;
- When product approval is not required by law, supervisors may issue guidance expecting insurers to sufficiently take into account the characteristics and needs of diverse consumers within a target group during the product development process. The local context can inform how a supervisor decides to express such guidance including, for example, if the term “diverse consumers” is used (or another term) and if the guidance focuses upon the treatment of certain types of diverse populations (or takes a more general approach); and
- It is good practice for supervisors to expect insurers (by requirements or guidance) to carry out specific qualitative product testing and scenario analysis to determine product suitability for different consumer profiles, and to identify and mitigate possible risks for diverse consumers within a target group. Insurers should determine that:
  - The product offers value to diverse consumers, including whether the coverage and the costs/coverage ratio takes into account the different coverage needs of diverse consumers;
  - There are no exclusions within the product which unfairly target certain categories of consumers and/or which may lead to the unfair treatment of diverse consumers;
  - The pricing mechanisms, in particular those relying on complex algorithms and AI techniques, do not unjustly discriminate against diverse consumers;
  - Disclosures are easy to understand for diverse consumers, also taking into account that some diverse consumers may process information in a different manner; and
  - Events (including environmental events) that may lead to some consumers becoming vulnerable or otherwise detrimentally impact diverse consumers are adequately identified and mitigation measures are in place to ensure that such consumers continue to be fairly treated.

**Box 4: Considerations on technology and data**

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

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

- Insurers actively assess the use of technology to ensure that it does not unjustly discriminate against diverse consumers;

- Insurers carefully consider the use of variables related to characteristics of diversity, or proxy variables for such characteristics, in automated calculations or models and that these variables do not negatively impact diverse consumers. In particular, insurers should avoid the use of such variables in insurance underwriting when relying on complex algorithms and AI techniques in pricing practices; and
- Insurers use evolving technology to better understand the needs of diverse consumers and improve their servicing.

#### **4.2.3 Designing appropriate product distribution methods**

48. 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.

#### **Recommendations:**

- 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, as well as anticipate issues which may plausibly arise for vulnerable or other diverse consumers; and
- Forms that the customer completes as part of the purchase of insurance should be designed to be as inclusive as possible, for instance regarding less common names, gender options, non-heterosexual, diverse family structures, etc.

### **4.3 Securing appropriate sales and distribution to diverse consumers**

49. Paying special attention to diverse consumers in the distribution and sales process, as well as humanising the interaction, can lead to fairer treatment overall and the avoidance of harm to or unfair treatment of diverse consumers.
50. For instance, the characteristics of some diverse consumers may mean that standard disclosures and marketing materials are uninterpretable and hence grossly ineffective. Some diverse consumers may more easily fall prey to aggressive marketing and/or deceptive advertising. Some may be unable to understand and articulate their needs or may be unable to access and understand important information about products or contractual terms. All of these circumstances would result in poor decision-making, uninformed choices and negative outcomes. Hence, it is important these aspects creating diversity are taken into account when distributing a product.
51. ICP 19.8 states that “where customers receive advice before concluding an insurance contract the supervisor requires that the advice provided by insurers and intermediaries takes into account the customer’s disclosed circumstances”. This includes any circumstances that make the consumer diverse.

52. If the needs of diverse consumers are not sufficiently taken into account in the product distribution phase there is a risk that:
- The way in which information is given and disclosed to consumers may not enable them to make informed choices about the product;
  - If advice is provided, the way in which it is provided may not be apt taking into account the characteristics of diverse consumers; and
  - Products which are not suitable for diverse consumers are recommended to them, leading to losses for them if they are not eligible for the product and/or if their specific needs are not covered.

#### **4.3.1 Marketing communications and disclosures that account for diverse consumers**

53. The needs of diverse consumers should be taken into account during the development and implementation of techniques used to promote products to a particular market. Poor provision of information can lead to unfair outcomes, particularly when dealing with diverse consumers.
54. If insufficient attention is paid to the needs and characteristics of diverse consumers, these consumers may not be able to adequately understand the risks and benefits of the insurance products. Insurers and intermediaries should also be careful not to inappropriately rely on the customer to have understood something in circumstances where that amounts to an unreasonable expectation, for instance where they are on notice of certain relevant characteristics of the customer. Language barriers, vision impairments, lack of online/digital access, neurodivergence, cognitive impairment, acute stress and reduced mental capacity are examples of different circumstances that can impact diverse consumers' ability to access and understand marketing communications and disclosures.

#### **Recommendations:**

- Insurers and intermediaries should take into account how diverse consumers receive and process information so that marketing communications and disclosures are accessible and easily and accurately understood by diverse consumers. In particular, they should ensure that relevant changes are implemented to relevant marketing and communications material for the diverse consumers they serve to ensure their fair treatment;
- To make sure that marketing communications and disclosures are fit for purpose, insurers and intermediaries may draw upon research, follow best practice guidelines and engage in focus groups or similar, specifically for diverse consumers, that allow for testing and improving the suitability of the marketing and disclosure materials;
- Insurers and intermediaries may develop tailored versions of the marketing and disclosure information so that diverse consumers can receive the information with the content, format and presentation most conducive to their needs; and
- Insurers and intermediaries should examine how their marketing and disclosure communications and techniques are used and the impact they have on diverse consumers. This should include whether certain techniques may lead to diverse consumers feeling pressured to buy a product or being misled or misinformed about a product.

#### **4.3.2 Deploying the distribution strategy appropriately**

55. Intermediaries generally receive information from insurers on how the characteristics of the product affect targeted consumers – including any diverse consumers – and how the product should be distributed.



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

**Recommendations:**

- Intermediaries should implement the distribution strategy in a way which sufficiently takes into account the instructions provided by the insurer, and which ensures the fair treatment of diverse consumers within the targeted group of consumers; and
- If they have not received such information 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.

**Box 5: The human approach**

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

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

Intermediaries may reassess alternative distribution channels for diverse consumers by investing in a “human needs first” philosophy. Interpersonal communications with humans will remain important for diverse consumers, especially during the distribution of an insurance product, considering that diverse consumers may have needs that are more complex and/or sensitive. For instance, intermediaries and insurers may assess whether digital or telephone-only channels are appropriate or if it is necessary to provide alternative ways or channels to communicate, or may consider keeping local branches open for diverse consumers who need specialised assistance.

**4.3.3 Advice and suitability for diverse consumers**

57. Certain products may not be suitable for diverse consumers because of their diverse characteristics. Hence, additional care is needed to ensure that the needs of the diverse consumers are duly taken into account when providing advice.

58. When insurers and intermediaries have a limited understanding of diverse consumers’ needs, products that do not effectively address their needs may be distributed to such consumers, causing a mismatch between what they require and what is being offered or purchased and leading to inappropriate sales and therefore poor customer outcomes. In particular, if insurers and intermediaries do not clearly assess whether advice should be provided to diverse consumers, there is a higher risk of detriment.

59. 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.

**Recommendations:**

- Intermediaries advising on a product, or insurers when they distribute the product directly, should carefully and actively consider whether the insurance product is suitable, taking into

account the needs and characteristics of the diverse consumer to whom they are providing advice;

- It is good practice for intermediaries advising on products sold to diverse consumers to provide feedback to insurers on possible issues and any adverse impact the product may have on diverse consumers;
- Intermediaries may adopt specific strategies such as additional questionnaires and collection of information to identify and assess the specific needs of diverse consumers during the sales processes; and
- Where local jurisdictions do not already require independent advice, insurers and intermediaries may consider if a product should be sold with advice to diverse consumers.

#### **4.4 After-sale servicing, product monitoring and review**

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

##### **4.4.1 Communication and assistance that account for diverse customers**

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

access and digital literacy of customers should not be assumed, and the number and range of people affected is probably underestimated.<sup>16</sup>

66. To understand diverse consumers who may face challenges and/or the barriers that they experience, it is important to actively reach out and talk to them about issues they may face in their daily lives and what insurers can do to make their services more inclusive. Moreover, once an insurer or intermediary is in direct contact with a customer who is known to have diverse characteristics, acting with due skill, care and diligence through the provision of suitably tailored communication and assistance is essential to achieve fair treatment outcomes.
67. It is also important that customers who fall into conditions of vulnerability are offered appropriate assistance, regardless of whether they were vulnerable or otherwise diverse when they became a customer.
68. For example, when transitioning to digital channels, this may unintentionally exclude some consumers – insurers need to identify this in a timely manner and develop clear measures to tailor services to those consumers who cannot go fully digital.

#### **Recommendations:**

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

#### **4.4.2 Product monitoring and review that detects and addresses unfair treatment of diverse customers**

69. Insurers should have adequate procedures and measures in place that ensure that the interests of diverse consumers are considered in a balanced manner when developing and/or distributing a financial product. Existing products 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 consumers.

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<sup>16</sup> Dutch Authority for the Financial Markets, [Barriers to managing money online](#), 2023. The report notes that the group of people experiencing digital barriers is highly diverse, but the likely characteristics of people with low digital skills are older age, with a practical education and a low level of literacy. They are also more likely to have a migration background. The report also describes that financial organisations vary in the extent of thought and action they are giving to improving access to services for people with limited digital skills.

70. Conducting periodic reviews on product effectiveness is crucial to ensure compliance, mitigate risks and enhance overall product quality, especially for diverse customers. Possible indicators or triggers that could lead to a review of a product include changes in the terms and conditions that result in significant changes in the operation of the product (for example, when the insurance cover changes), macroeconomic conditions affecting the product value proposition for some consumers, or an increase in the number of complaints. Other triggers can be negative publicity surrounding a product, disappointing product performance, significant and unforeseen impairments or risks that have not previously been identified and, of course, changes in customers' personal situation or wishes (particularly if they cause a consumer to become vulnerable or otherwise diverse).
71. In some cases, insurers can foresee that customers will run into financial difficulties; for example, when monthly direct debits for the insurance product are returned unpaid. It is in the interest of both the insurer and the customer that the risk of payment difficulties is identified early to avoid or limit the costs of payment delinquency. When customers run into financial difficulties (for example due to rising costs of living, the loss of their job, the death of their partner or other reasons), this can have a big impact on their material circumstances and emotional wellbeing and cause them to be vulnerable or otherwise diverse. It is reasonable for insurers and intermediaries to proactively anticipate the likelihood that such situations will occur to some people within their overall customer pool and take reasonable steps to encourage customers to bring such issues to their attention. If insurers do not take into account these circumstances of vulnerability/diversity when known, and do not act with due skill and care, there is a material risk of unfair treatment.

#### **Recommendations:**

- Insurers and intermediaries should identify ways to monitor whether diverse consumers within the targeted pool of consumers may fall into conditions of vulnerability and require additional protection or special treatment. They should 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;
- Insurers should regularly monitor products and have ad hoc reviews when there are certain events that can lead to the product having an adverse impact on consumers. In particular, insurers can identify events that have an adverse impact on diverse consumers and/or can make consumers fall into conditions of vulnerability or other diverse circumstances. If instances of adverse impact are identified, insurers should review the product and remedy the situation for the relevant consumers;
- Insurers should evaluate the effectiveness of internal controls related to product governance processes to ensure that controls are in place to monitor product performance, detect issues and facilitate timely reviews and adjustments for diverse consumers as needed; and
- Insurers should conduct independent audits to evaluate the effectiveness of internal risk management controls vis-à-vis the fair treatment of diverse customers.

#### **4.4.3 Claims procedures that are inclusive**

72. Claims procedures can be complex and overwhelming, especially considering that high-impact life events may have necessitated the insurance claim (eg accident, health event, total home damage, etc) and that the customer might be in a circumstance of vulnerability. Submitting a claim could also be even more challenging for diverse customers due to their characteristics and needs. For instance, customers who have a limited comprehension of the language used in the

claims process, or who do not possess sufficient digital skills, may experience difficulties. Some diverse customers may have difficulty providing certain information that the insurer might typically request, for instance immigrant or refugee customers or customers from circumstances of family or domestic abuse.

73. Insurers carry the responsibility to offer timely and just payouts or compensations based on the risk. Especially for diverse consumers, this compensation might be essential to financial security and, in the case of home insurance, to restore normal living conditions.

**Recommendations:**

- Insurers should provide clear guidance and targeted support to help diverse customers navigate the claims process, submit required documentation and track the status of their claims;
- Insurers should have formal claims procedures that involve appropriate tailoring/modification to the reasonably anticipatable needs and circumstances of its diverse customers, in order to contribute to overall fair processes and outcomes for diverse consumers and to handle claims in a timely, fair and transparent manner. Examples include having claims forms also in minority languages, and providing guidance upfront on what customers should do when submitting their claim if certain documents cannot be provided for legitimate reasons; and
- Insurers should analyse claims data to identify patterns of claims, claim frequency and claim severity, looking at disaggregated data for diverse consumers to determine if some are more adversely impacted by the product and/or events.

**4.4.4 Complaints procedures that are inclusive**

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

**Recommendations:**

- Insurers should have complaints policies and processes that are as inclusive as possible to diverse customers' characteristics and preferences. This includes, but is not limited to, providing multiple methods by which customers can submit a complaint and making the process easy and not intimidating;
- Insurers should ensure that information on their complaints handling policies and processes can be readily found and easily understood by diverse customers;
- Insurers should test that diverse consumers perceive the complaints procedure as being accessible and fair; and
- Insurers should avoid discrimination against or unfair treatment of diverse consumers in assessing and responding to complaints. In such instances, these cases should be carefully registered to identify whether different elements of consumer diversity are leading to, or related to, specific complaints.



## 4.5 Working towards greater inclusion of diverse consumers across the insurance sector

75. Insurance operates in diverse societal contexts, encompassing diverse individuals from varied backgrounds, cultures and identities. Technological advancements and evolving consumer preferences are reshaping the insurance landscape – further changes to insurance are caused by changing structural dynamics such as an ageing population, extreme weather events or a higher interest rate environment. The industry’s ability to adapt to these challenges will determine whether insurance remains fit for purpose and does not penalise or exclude those most in need of protection.
76. As insurance can be a particularly acute need for diverse consumers and others who are in vulnerable circumstances, it is essential that the sector meet the needs of these consumers which it is intended to serve. Consumers excluded from insurance (see Box 2), or who are outside the mainstream of normative consumers researched by insurers, cannot easily communicate their needs and therefore have difficulty influencing the design, delivery and price of products, the way they are distributed and the manner in which after-sales services (such as claims handling) occurs. The consequences may go beyond individual consumer detriment and result in poorer use of resources across the economy and reduced risk management leading to missed economic opportunities, as well as leading to missed opportunities for the industry.
77. 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. However, access to insurance is a cornerstone of society and important to financial stability and the integrity of markets. To ensure safe and sound financial markets and reduced harm from unexpected or random events which can be insured, supervisors can play a role in ensuring their markets function and serve consumers, including diverse consumers. It is important to note that mandates can influence the range of actions taken and the tools adopted by the supervisor to support action.
78. This section highlights the role that supervisors can play in ensuring that their insurance sector is inclusive, fit for purpose and reflects the diverse needs of consumers. They may play a vital role in ensuring diverse consumers have access to insurance products and services by fostering an environment that promotes inclusion, facilitates market development and addresses specific challenges relevant to diverse consumers.

### 4.5.1 *Shaping the supervisory landscape*

79. By incorporating DEI considerations into supervisory frameworks and regulatory requirements, supervisors may reduce the impact of systemic and idiosyncratic barriers that hinder access to insurance products and services for underserved communities and diverse consumers. Supervisors may leverage their role in shaping the supervisory landscape to create an environment conducive to facilitating access to insurance and financial inclusion by:
- **Designing targeted solutions:** Certain supervisors have established dedicated initiatives aimed at promoting financial inclusion for diverse populations. These initiatives might involve collecting data through surveys, focus groups or pilot programmes to understand the specific barriers faced by different groups and design targeted solutions;
  - **Public consultations and feedback:** Supervisors can conduct public consultations and actively seek feedback from diverse stakeholders, including consumer groups, community organisations and financial institutions serving specific populations. This allows them to gather qualitative data on the lived experiences of diverse consumers and tailor regulatory requirements accordingly; and



- **Collecting consumer data to monitor access, affordability and trends:** Supervisors can use a data-driven approach to monitor and analyse data on insurance penetration rates among different demographic groups and identify disparities in coverage, access and affordability to inform policy decisions and facilitate targeted interventions. This can be achieved by collecting and analysing data through dialogues with consumer groups and focus groups, including diverse consumers.

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

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

#### **4.5.2 Facilitating market development**

80. Beyond setting the supervisory landscape, supervisors may choose to play an active role in facilitating development of inclusive products and markets. This involves:

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

## 5 Conclusion

81. Supervisors can play a critical role in breaking down barriers and ensuring that diverse consumers have access to the insurance products they need to protect themselves from risk of loss and are treated fairly by insurers and intermediaries in their interactions. Ultimately, this fosters a more inclusive and equitable financial system that benefits everyone.
82. In conclusion, the fair treatment of diverse consumers is an essential component for fostering a resilient, innovative and trustworthy insurance sector. Supervisors should apply ICP 19 to achieve the fair treatment of diverse consumers and may also help drive a transition to more inclusive insurance products and services by spearheading and supporting initiatives that promote diversity, equity and inclusion for insurance consumers. By championing DEI, supervisors uphold the integrity of the insurance sector – ensuring that it remains accessible, fair and responsive to the needs of all stakeholders in society – particularly for those consumers who are least able to protect themselves or who are not typically the focus of industry efforts.