



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Consumer Protection Code Review

Owens McCarthy Limited Response

Response Information

I am completing this form as:

An organisation or representative body

What is the name of your organisation or representative body?

Owens McCarthy Limited

Please specify your organisation/representative body type.

Financial service firm or group

Broad Theme A – Availability and Choice

Q.1 What are your views on availability and choice of financial services and products for consumers?

We will confine our comments to the area in which we operate, i.e. claim representation services for policyholders who possess either a household or commercial insurance policy.

Whilst it can be seen that there are, in 2023, fewer carriers (and fewer policy types), it is our experience that consumers still predominantly purchase cover based upon price, as opposed to the breadth of the policy coverage or the quality of the claim and customer service provided by the Insurer.

Policyholders have been consistently encouraged to switch and 'save money' without having much regard, if any, to items such as policy terms, conditions, limits and exclusions. In this context, the relative reduction in the number of Insurers may not be immediately obvious to consumers, who will be unaware that policies are consistently being rewritten and revised - often with clauses that serve to limit claim payments.

Q.2 How important are new providers and new delivery channels to serving consumers' financial needs?

We contend that care must be taken when considering the method by which consumers purchase first-party material damage policies.

In the case of domestic policyholders, this cohort will be 'unsophisticated', and conditioned only to seek the 'best price'. Nevertheless, for most of them they will be insuring their one and only valuable asset, their home. It is our experience that, where domestic policies are purchased direct from the Insurer (or an agent) - as opposed to a broker - the consumer is less likely to understand key contractual components, such as: disclosure, underinsurance, conditions precedent to liability. For these reasons, we have seen claims denied or reduced in value, often with devastating consequences for the Insured. The CB will doubtless be mindful that although the introduction of new players and new delivery channels might tick some boxes (e.g. competition and price) there can also be attendant negative consequences for poorly informed consumers.

For those commercial policyholders that fall within the definition of 'consumer' it is plain that there has been a dearth of new providers. With regard to delivery channels, much of what we have said above holds true, i.e. it remains important that commercial insurance policyholders should purchase their insurance through a qualified and professional insurance broker that understands their business, their insurance needs and the myriad covers available via the market.

Q.3 In implementing its consumer protection mandate, how should the Central Bank reflect the importance of competition in its regulatory approach?

Given our comments above, we respectfully suggest that the CB might be careful not to over-emphasise the importance of competition.

It is important that any and every player in the financial services space puts the customer first. Laws and regulations designed to achieve robust consumer protection are inevitable.

Our work as policyholder representatives informs our view that insurers, well-run, by competent and empathetic people, deliver the best post-claim outcomes for claimants. Insurers that are solely focussed on those aspects of competition such as winning market-share and the drive towards ever-reducing premiums, may, necessarily need to compromise on claim handling in order to 'balance their books'.

Broad Theme B – Firms Acting in Consumers’ Best Interests

Q.4 Do you agree that the Central Bank should develop guidance on what it means for a firm to act in the best interests of its customers?

Agree

Q.5 Does the suggested outline of ‘customer best interest’ guidance capture the essence of the obligation to act in customers’ best interests? What other guidance would you suggest?

Yes

Theme 1 – Innovation and Disruption

Q.6 Do you agree with our proposed approach to enhancing our Innovation Hub?

Yes

Q.7 What more should be done to support innovation while ensuring consumers’ best interests are protected?

With reference to our comments elsewhere, we hold a somewhat conservative view and might challenge the assumption that innovation and disruption are necessarily worthwhile and always worthy of encouragement. An example being the move away from traditional delivery channels (for home and commercial policies) towards direct selling - over the phone or, more commonly, on-line. These have made 'switching' an easier experience for the consumer, but our experience shows us that the 'switching' habit and selecting cover based upon price can oftentimes have negative implications for claimants.

Doubtless, innovation will continue apace, and this will be driven by markets largely outside of Ireland, cf. our indigenous insurance industry. The latest new 'big idea' may be a short-cut to expanding the bottom-line profits for financial services firms, but will this improve the customer journey and outcome for consumers - who very often have no ready-made alternatives?

Q.8 How can regulators ensure that neither firms currently in the market, nor new entrants, have unfair advantages which could be a barrier to fair competition?

There has been an assumption, throughout the development of the EEC and then the EU that competition will exist and thrive on a 'level playing field'. In terms of the space that we operate in, we would suggest that deeper, claims-focussed, statistical reporting could help any potential new (insurance) entrants to decide whether or not they want to expose themselves to this market.

Theme 2 – Digitalisation

Q.9 Do you agree with our analysis of the benefits, challenges and risks around digitalisation in the area of financial services? What are the key issues for you?

The CB has highlighted speed-of service, the broadening of the range of providers and enhanced tools to help consumers understand their finances as being several of the inherent benefits (of digitalisation). This, undoubtedly, is correct.

However, and you have already identified this - as have we herein - the absence of human interaction and advice alongside the speed of contractual formation, puts the consumer at a distinct disadvantage.

We refer again to our example of a domestic policyholder purchasing a policy (online) and basing their decision on price alone. They will rarely have read the policy booklet; even if they did they would likely not understand the extent of cover and any limitations thereto; they may not understand the importance of disclosure and answering questions fully and completely; they might be ignorant of policy inner limits and the effect of 'underinsurance'. Taken separately - or together - items such as these serve only to deliver negative outcomes for consumers.

Q.10 How do you think the personalisation and individual-targeting of ads can be made compatible with the requirement for firms to act in the best interests of customers?

We assume that personalised advertising 'works' otherwise: 1) financial services would not buy it and 2) Google (and their like) would not be multi-billion dollar firms.

If this approach 'works' then it must mean that people buy more when adverts are targeted at them. For most people this is now so ubiquitous that they are almost entirely unaware of the process behind it. Some people prefer to think that their phone is literally 'listening to their conversations', as opposed to Big tech knowing all about them because of the dozen websites they visit every day.

Bringing the right product to the right consumer is always a good idea, but it is never straightforward. The CB needs to consider how well the consumer is being informed and whether that consumer understands the product they are buying. Our experiences leads us to conclude that where those decisions and negotiations happen online and without (competent, knowledgeable) human interaction then the potential for negative outcomes increases.

Theme 3 – Unregulated Activities

Q.11 The Code requires regulated firms to provide a statement indicating that they are ‘regulated by the Central Bank’. Do you think this is useful for consumers?

Yes

Q.12 How can the difference between regulated and unregulated activities be made clearer for consumers?

Q.13 Should there be additional obligations on regulated firms when they undertake unregulated activities?

Yes

The assumption will, presumably, be that these firms undertake unregulated activities with the same care and expertise that is demanded of them when undertaking regulated activities.

The fact of regulation offers a layer of respectability to a firm and comfort for a consumer. Regulation should never be diluted.

Theme 4 – Pricing Matters

Q.14 What can firms do to improve transparency of pricing for consumers?

It is our experience that (most) consumer purchase home or commercial insurance based upon price. The price-walking regulations undoubtedly protect those policyholders that have less of a propensity to 'switch'.

We would be surprised to learn that policyholders compare products from a range of providers and then apply that knowledge to the respective prices. This might be aspirational and, of course, consumer do need to take some responsibility for their actions. In an ideal world, price would always be a function of the quality of the product; and yet this does not (seem) to apply in the case of material damage insurances.

Instead, we repeat that price is the determining factor for most policyholders. How that price is arrived-at might be of less importance to them than the price itself.

Q.15 In relation to pricing, are there examples of firms using unfair practices to take advantage of customer vulnerabilities?

Theme 5 – Informing Effectively

Q.16 How can regulation improve effectiveness of information disclosure to consumers?

In the context of pre-contract and renewals for home and commercial policies, if everything is important then nothing is important. Consumers will often struggle to understand the extent of cover and factors limiting claim payments, in cases where they have not been advised by a competent and knowledgeable person.

IPID-type documentation may have helped in this regard, however, the Bank will be aware that some consumers have confused the IPID (truncated summaries of cover and exclusions) with the policy documentation (booklet & schedule). This complicates the task of explaining the scope of cover to a policyholder post-loss.

Q.17 How can firms better support consumers' understanding – can technology play a role?

There is the potential for visual or interactive information disclosures to fill the gap created by the absence of human input. Experience suggests that consumer will 'click past' these when given the opportunity.

Q.18 Does the way in which firms approach disclosure in respect of mortgage products need enhancing? If so, how? - taking account of the wide variety of features of mortgage products, and borrowers' different circumstances and needs.

No comment - outside of our expertise.

Theme 6 – Vulnerability

Q.19 Given that vulnerability should be considered more as a spectrum of risk than a binary distinction, how should firms' duty to act in their customers' best interests reflect this?

The provider must try to 'know' their customer. When they 'know' who they are dealing-with they must then want to do what's best for that customer: both as an organisation and as a customer-facing individual. This is a culture, process and training issue.

Q.20 What other specific measures might be adopted to protect consumers in vulnerable circumstances while respecting their privacy and autonomy?

Theme 7 – Financial Literacy

Q.21 What can the responsible authorities do to improve financial education?

Compulsory 'consumer protection' module for secondary school children wither as part of the Business Studies curriculum or SPHE.

Q.22 How can consumers be empowered to better protect their own interests when dealing with financial matters?

The consumer must be persuaded to not only consider price but also to weight up their needs and to balance those needs against any product. They should be encouraged to deal with people and not algorithms and those people then need to be competent and knowledgable.

Theme 8 – Climate Matters

Q.23 How should the financial system best fulfil its role in supporting the transition to a climate neutral economy?

No comment.

Q.24 How will climate change impact on availability, choice and pricing for financial products and services?

There is an expectation that, if climate change were to result in more frequent wet and stormy weather (for Ireland), then Underwriters will need to consider their exposure to insured perils such as storm and flood. This would likely result in a reduction of cover and consumers being exposed to significant uninsured losses. Recent examples would be the removal of 'flood' covers for areas such as Cork, Bantry, Clonakilty, Skibbereen, Mallow, et al. Whilst Government is ultimately compelled to step-in and mitigate the risks (e.g. flood defence works) these often take time to implement and leave consumers exposed.

Q.25 Does the impact of climate change require additional specific consumer protections?

No



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