

Consumer Protection Focus in Insurance



In March 2023, the **Central Bank of Ireland** (CBI) outlined their intention to undertake a review of **consumer protection risks** in insurance firms.

This review aims to examine the appropriateness of an insurer's risk management frameworks and their management of consumer protection risks.

This desk based review will align to the CBI's **Guide to Consumer Protection Risk Assessment**¹ ("CPRA") published in March 2017.

¹ <https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/compliance-monitoring/reviews-and-research/a-guide-to-consumer-protection-risk-assessment.pdf?sfvrsn=4>

What does this mean for your firm

An insurer's Consumer Protection Risk framework should be proportionate to the nature, scale and complexity of the firm and its associated risks. According to the CBI, the key elements a firm should have in place to manage Consumer Protection Risks are:

- Consumer-centric culture;
- Compliance and risk management framework measures to ensure robust oversight;
- Clear consumer information to ensure treatment of consumers in a fair and transparent way across all stages of consumer lifecycle.

The CBI will use thematic inspections to assess consumer risks in your firm. Ahead of an inspection, your firm can expect a formal notice regarding the proposed time lines and any of the firm's key personnel expected to be involved in the process.

These on-site inspections can last two to five days depending on your firm's size and the supervisors' work programmes and will comprise of two separate assessments; a design review and an effectiveness review.

On completion of this assessment, supervisors will outline any outstanding issues that require clarification. Any observations and recommendations will be issued following the review.

Risks identified which are deemed unacceptable will normally result in the imposition of a risk mitigation programme on the firm or, for serious issues identified further actions including an imposition of monetary fines or a suspension or revocation of authorisation.

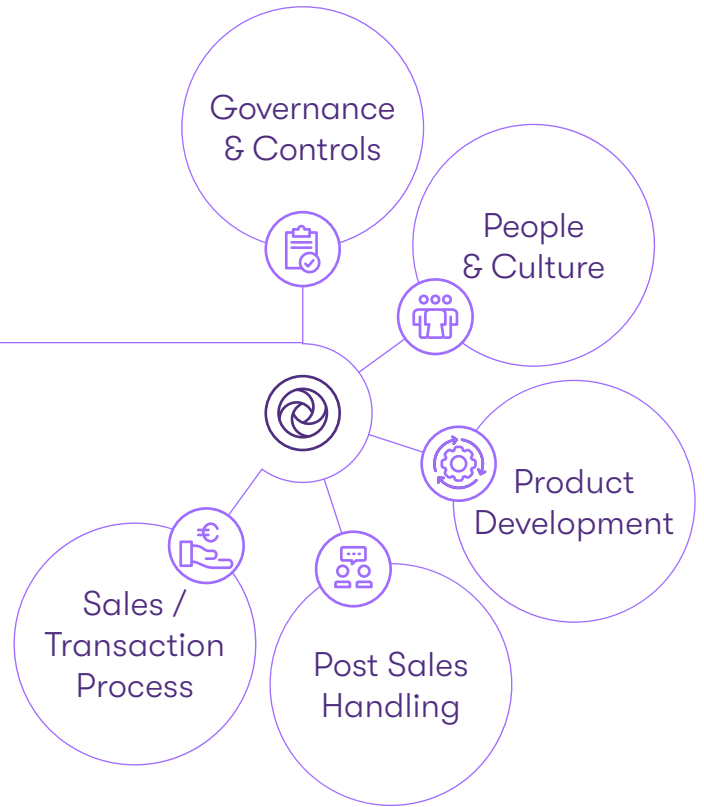


Areas of focus

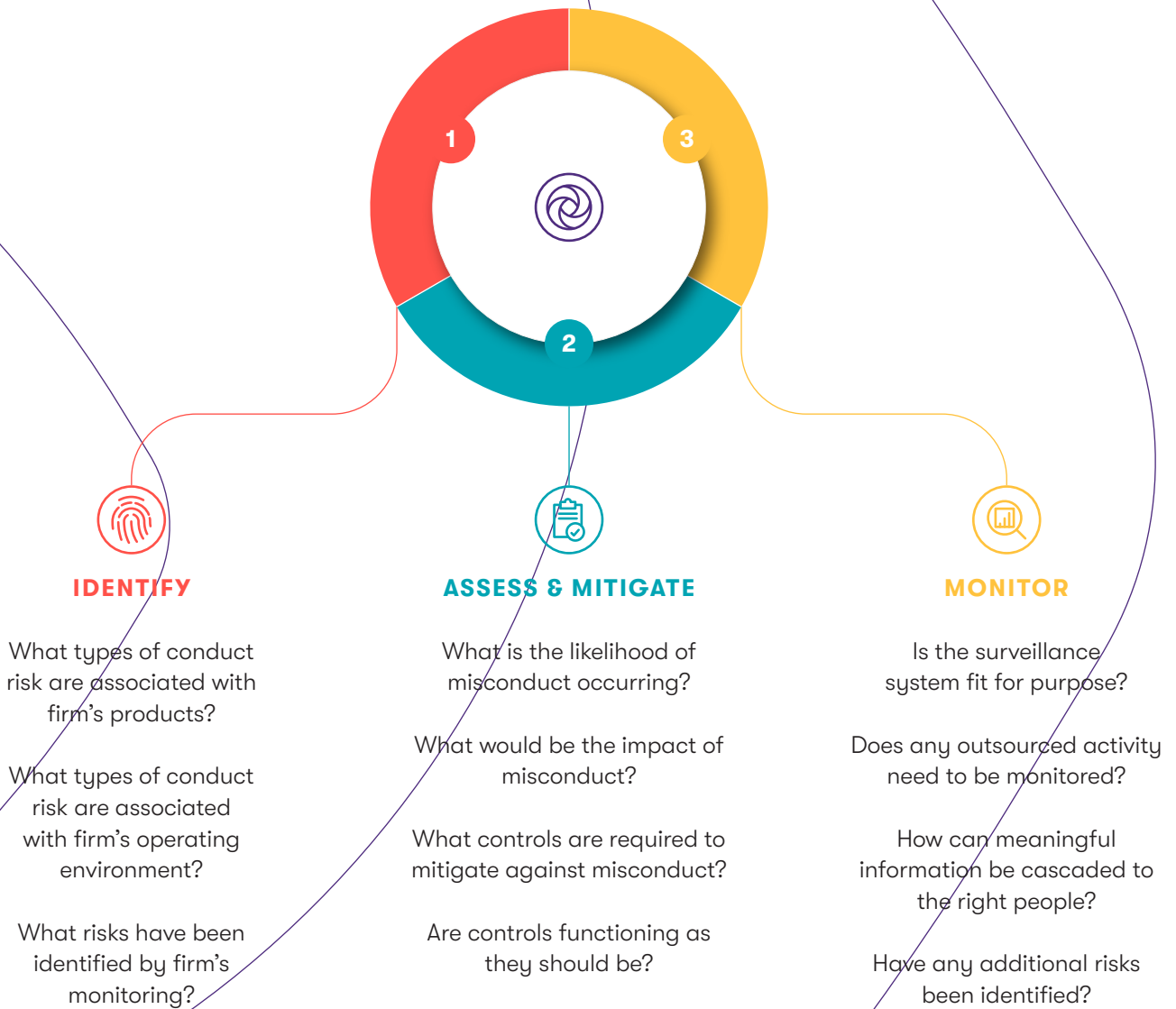
The CPRA model provides a framework to assist supervisors assessing how Consumer Protection Risk is managed within regulated firms. All firms must ensure that the relevant systems and controls are embedded across the following CPRA modules:

There is no requirement on firms to develop a separate Consumer Protection Risk management framework; the preference is instead for the five modules to be embedded throughout the firm's internal control and risk management framework.

Managing consumer protection risk is a dynamic process. Identification and assessment of risks are not once-off exercises but need to be carried out frequently to account for issues discovered through the firm's monitoring programme and/or business or regulatory changes. It is fundamental to ensure the systems and controls implemented are fit for purpose and these should be continuously monitored to validate their effectiveness.



Firms should always strive to be proactive and not reactive and ask themselves the following questions as part of their Consumer Protection Risk management process.



The CBI's desired consumer protection outcome is to ensure each firm has an embedded consumer focused culture with appropriate systems and controls, which are designed and implemented effectively and that firms can demonstrate that relevant controls have been embedded in the existing risk management framework.

Our Experience

Grant Thornton's financial services professionals have a wealth of experience in providing risk, regulatory and compliance advice. We understand the practical operational aspects around the interpretation of this guidance and are ready to support firms in its implementation.

We have assisted many firms on various Consumer Protection Risk matters including:

- Designing and implementing consumer protection risk frameworks in order to ensure a positive consumer-focused culture is embedded, consumers' best interests are protected, and all applicable regulatory obligations are met.
- Providing assurance on the embeddedness and effectiveness of risk frameworks to firms' boards and senior management.
- Assessing whether consumer protection KPIs and metrics are set at the correct level compared to regulatory expectations and industry good practice.

How can we help:

With an experienced Insurance regulatory team, many of whom have held lead positions within the Central Bank of Ireland we understand the lens through which the regulator will view compliance success.

We can leverage this knowledge and know-how to support you in your firm's adherence with this guidance and in navigating the associated challenges within your organisation.

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