



Consumer Protection Codes Department

January 8<sup>th</sup> 2011

Central Bank of Ireland  
PO Box 559  
Dame Street  
Dublin 2

**Re: CP47 Review of Consumer Protection Code**

Dear Sir,

Acorn Life welcomes the opportunity to respond to Consultation Paper CP47 – Review of Consumer Protection Code.

We support the IIF response to CP47. However, we would like to draw the Central Bank of Ireland specific attention to our concerns about some the proposals in the new code.

**1. Chapter 3 Unsolicited Contact (Cold calling)**

It is proposed to restrict significantly the times in relation to cold calling but it is not clear why this is proposed. We are not aware of any specific problems with cold calling that would give rise to these changes.

**1.1 Provision 31**

We believe the proposed changes to the times at which unsolicited visits or calls may be made are unnecessary and serve no useful purpose. We are not aware of any public concern about the 9pm deadline and believe strongly that it should not be changed.

Furthermore, we see no justification for eliminating the right to contact people on a Saturday. For many of our agents, Saturday is a normal working day and some banks and building societies are open to transact business on a Saturday. It would therefore be discriminatory to prevent a direct sales force from contacting clients on a Saturday.

Introducing a 7pm deadline will in effect preclude any contact with most consumers. Many working people do not get home before 6:30 to 7:00. Imposing a 7:00 deadline effectively makes it impossible to contact the working population where the largest protection needs exist. In fact, many of our clients ask us to contact them after 7:00pm. It is highly questionable whether it is proper to only sell to those who are at home during the day time. This would have obvious anti-selection risks for an insurance company.

# Acorn Life

In addition, for joint life protection policies it is important that both lives are present when presentations are made and fact finds completed, this process often takes longer than an hour, to restrict the time to 7 pm may exclude consumers who would not be free until after 7 pm.

Protection products cannot be sold without a rigorous sales process being undertaken so it's difficult to see the risk in unsolicited contact as an initial means of making contact with a consumer.

This proposal could result in far fewer people taking out protection policies by imposing an arbitrary 7:00pm deadline. This will have an overall negative impact on society while delivering no apparent benefits.

## 1.2 Provision 33

The requirement is to have at least 5 business days and no more than 10 business days between an initial call /visit and any subsequent call /visit.

What is the purpose of this specific proposal? Is it to allow consumers a chance to shop around? If so, is there any evidence to suggest that this would happen in practice as we do not believe this to be the case.

Is this proposal aimed at giving consumers time to read the documents and to reflect on the proposed products? Currently a full fact find is required on a protection policy and consumers already have the choice of asking the sales person to call back at another time. In addition, they have the added benefit of a cooling off period to reflect on the product and shop around if they so desire after purchasing a policy.

This proposal is unnecessary, unfair to consumers and unworkable for a direct sales forces. If a consumer is interested in a subsequent call or visit, surely it should be left to the discretion of the caller and the consumer to decide when the appropriate time to meet is. What happens if the consumer is only available in the next 5 days or is not available for more than 10 days? What happens if the consumer wants to meet the following day? What happens if the consumer needs to get appropriate documents to proceed with a proposal? In many cases clients need more than 10 days to complete the application process. In other cases consumers want cover immediately and are ready to apply.

In addition, the added complexity will make the application process longer for consumers. This will leave them without cover for longer and there will be a small number of cases where consumers miss out on claiming a mortality or morbidity benefit as a result of the delays imposed by this proposal. In these cases, the individual consumers or their beneficiaries will be severely impacted by this proposal and the delays that it would cause.

Should this proposal be progressed the following will need to be clarified:

- How is it proposed to track when an initial contact and subsequent contacts are made?



- Who is responsible for maintaining records of this and how is a dispute between the caller and the consumer going to be resolved?

We see no benefit in the proposed change. It will give rise to confusion and disputes with no obvious benefit to consumers. Effective application of the current rules provides sufficient and proper protection of the consumer.

## **2. Chapter 3 – Processing Instructions from Clients**

The new requirement that, where an “instruction” from a client cannot be “acted on” within 2 business days, the regulated entity must acknowledge in writing receipt of the instruction, outline the reason for the delay and confirm when it will be processed is unnecessary and unworkable. It is not clear from the draft code what is meant by an “instruction” or “acted on” or what types of instruction have given cause for concern. Consumers do not appreciate unnecessary correspondence and this provision would appear to generate a requirement for such correspondence. At the very least, clarification is required as well as an extension of the period required before the client must receive an acknowledgement. We would prefer to see the code revert to the previous requirement for instructions to be processed “properly and promptly”. The complaints process can deal adequately with any failures to do so.

## **3. Chapter 6 – Statements**

We submit that for life assurance products these should continue to be covered by the Life Assurance Disclosure Regulations. It will be very expensive to develop systems to provide statements electronically to clients and expensive to provide both lives assured in a joint policy with separate statements. Policy fees would have to increase in order to cover these additional administrative costs.

## **4. Chapter 12 – Contemporaneous Records of Verbal Interactions**

Currently the policy conditions form the basis of the contract between the Insurance Company and the policyholder. These policy conditions are used and referred to throughout the entire company from claims procedures to unit pricing to reserving methodologies.

The documentation produced as a result of a sale summarises the key outcomes of the sales process and captures all key aspects of the consultation between agents and clients.

If contemporaneous records are required to be kept, then it might follow on that these will form part of the insurance contract. This would have the implication of making each contract different depending on the exact conversation in each individual case. It could also lead policyholders to believe that they don't even need to read their terms and conditions. This would make all company procedures outside of the sales process impossible to implement and unworkable as there would be no standard contract.



We submit that it would be better to carry out sample checking to ensure that policyholders have read and understand their terms and conditions rather than relieving them of the responsibility. Where problems are identified through the sample checking, it should be determined whether they are particular to one sales agent or whether there is a problem with all policyholders understanding of the documentation.

In any case, no definition is provided of a contemporaneous record or the level of detail to be recorded. Producing additional documentation is unnecessary and costly to both companies and the consumer.

### 5. Chapter 11 – Error Handling

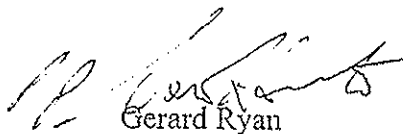
We favour the retention of a materiality test.

### 6. Chapter 13 – Definition of “Vulnerable Consumer”

This definition is very broad and with some of the vulnerabilities based on relativities and medical status which would be difficult to identify, e.g. what’s a high level of indebtedness, how does a life insurer / sales associate assess diminished mental capacity with a client, what is a low level of educational attainment, how does a life company get access to credit ratings? Acquiring such information about a client may also be in breach of Data Protection legislation as it may not be relevant to the product under consideration. A process to categorise consumers as vulnerable could cause offence or distress to them. Agents would not be qualified to make the judgements required under these proposals. In addition the broad nature of the definitions affords consumers the opportunity to make false claims that they were vulnerable after the event and it may be difficult for insurers to defend against such allegations. We support the concept of differentiating elderly consumers and those with very clearly identifiable vulnerabilities but the proposed definition is too broad for insurers to implement. Provisions in respect of “vulnerable consumers” should be proportionate to the risks and should be feasible to implement without the risk of being open to false claims subsequently. The provisions in the code around ensuring products are suitable for consumers’ needs are sufficiently strong to ensure vulnerable clients are protected without the introduction of such a broad definition.

Acorn Life would welcome the opportunity to discuss CP47 with the Central Bank of Ireland and would be happy to respond to any queries on this submission.

Yours sincerely,



Gerard Ryan  
Operations Director