

Genworth Response to CPC Consultation Paper CP 47

7 January 2011

#5 Do you think the proposed requirements in relation to the provision of information about products are adequate? If not, please set out how you think the requirements could be strengthened. (Comment to Chapter 4, Rule 61 (p.48))

We share the Central Bank's desire to make sure consumers have the information they need in order to make sound decisions when purchasing insurance. In line with that goal, every one of our regular PPI policies (where the premium is paid on a monthly basis) clearly states that the premium is subject to change upon reasonable notice (i.e., 30 days) to the consumer. In the case of our single premium PPI policies (where the premium is paid one-time, upfront), the premium is not subject to change during the term of the policy. Given the mechanics of our regular and single premium PPI policies (regular PPI policy premiums are not fixed for any set period of time), we propose that, as an alternative to the warning label set forth in Chapter 4, Rule 61, the Central Bank require a uniform period of notice before insurance companies change their premiums (i.e., 30 or 45 days) and that such period be clearly set forth in the insurance policy terms and conditions. We believe that such a proposal would ensure that consumers are informed about potential changes to their premium, provide consumers with reasonable notice before such changes take effect and accommodate insurance policies where premiums are not fixed for any particular length of time.

#19 Do you think the six-month time frame to rectify errors involving consumer detriment is appropriate? (Comment to Chapter 11, Rule 3 (p.76))

We fully support the Central Bank's efforts to ensure that errors involving consumer detriment are rectified promptly upon their discovery. In our view, all such errors should be resolved in no more than 3 to 6 months and any relevant refunds should be provided within the same time period. Despite best efforts, however, there may be instances where the sheer complexity of resolving a particular error (perhaps involving hundreds of consumers across multiple years) may prevent us from rectifying the situation within the proposed 6 month time frame. In addition, it is worth noting that a significant cause of errors can be when systems changes are made without thorough and careful testing for any unintended consequences from changes to coding impacting on other policy or account records. This risk is increased when multiple changes are made one after the other rather than in a planned or systematic manner. Therefore, although a problem may be identified and a solution designed within a short time frame, there may be good reason to delay implementation to ensure that the changes are thoroughly tested.

Bearing this in mind, we propose that the 6 month time frame for resolving errors serve as a guide for organizations to follow as opposed to a strict requirement. Further, we propose that all regulated entities be required to provide the Central Bank with immediate notification as soon as they determine that an error will not be

resolved within the 6 month time frame along with the reason that such deadline will not be met. From our perspective, such a proposal would allow regulated entities adequate flexibility to resolve complex errors and, at the same time, incentivise firms to resolve errors involving consumer detriment as promptly as possible.

#20 Do you think our proposal that only errors that cannot be resolved within one month should be reported is an improvement on the current situation? Is the one-month time frame appropriate? If not, please suggest an alternative. (Comment to Chapter 11, Rule 5 (p.76))

We take seriously our responsibility to avoid errors that may impact consumers and strive to rectify them as quickly as possible when they inevitably occur. Consistent with that approach, we propose that instead of notifying the Central Bank of all errors that cannot be resolved within one month, all regulated entities be required to provide the Central Bank with immediate notification as soon as they determine that an error will not be resolved within 6 months, along with the reason for such delay (as we noted in our comment to #19 above).

We believe that this new notification requirement, along with the mandate for firms to maintain a log of all errors they identify (as set forth in Chapter 11, Rule 6), would serve to reduce the total amount of correspondence being reviewed by staff members at the Central Bank, limit the errors reported to only those of a serious nature and allow the Central Bank to review an organization's comprehensive error history on a periodic basis.

#21 Do you think that the proposed times for permitting unsolicited contact are appropriate? (Comment to Chapter 3, Rule 31 (p.35))

We agree wholeheartedly that reasonable time limits should be placed upon the unsolicited contact of consumers by regulated entities. It is our experience that many consumers who work during the day Monday through Friday do not arrive home from work and commuting until after 7pm and still others (who work evening shifts) are not home at all during those evenings. Given our experience, we propose an alternative arrangement whereby unsolicited contact would be limited to 9am-9pm Monday through Friday and 10am-5pm on Saturday.

#22 Do you think the restriction on the sale of products or services to protection policies only and the prohibition on the sale of protection policies on a first unsolicited contact will enhance consumer protection? (Comment to Chapter 3, Rules 33, 34 (p.36))

As a provider of PPI policies, we fully support the Central Bank's efforts to enhance consumer protection through revision of the Code and, in particular, welcome the requirement in Chapter 3, Rule 34 to disclose to consumers the source of business leads and to keep a record of such referrals. With respect to Rule 33 in the same chapter, however, our view is that the prohibition on the sale of PPI policies during a first unsolicited contact over the phone would not serve to enhance consumer protection.

The aim of Chapter 3, Rule 33 is clearly intended to minimize the likelihood and impact of intrusive selling processes leading to overselling of policies which the consumer has not had the opportunity to fully understand at the point of sale. We share this objective since our goal is to sell products which have a real value for our customers. In this case, however, we think that there is a real risk that this measure will make it uneconomic to sell valuable cover over the phone. So, while we can certainly understand concerns about doorstep selling, we don't think that these proposals should also apply to telephone sales given the various safeguards in place – in particular the right for consumers to opt out of telephone marketing and the protections provided by the tape recording of sales calls. In our view, PPI is a valuable product which is not intrinsically complicated and which consumers should, if they wish, be able to buy over the phone in a single transaction, bearing in mind that they have full cancellation rights during the cooling off period.

The proposed prohibition set forth in Rule 33 would also be likely to have a negative impact on consumer choice. In our experience, when consumers are informed about the many benefits that a PPI policy provides, particularly in times of economic distress, they often wish to act immediately. If a PPI sales representative were then required to wait 5-10 business days before being able to even offer a PPI policy, consumer choice would be negatively impacted. Indeed, the peace of mind that comes from a consumer knowing that they will be able to meet their most important financial obligations would be delayed for a commensurate period of time. Based upon the likely negative impact that the change in Chapter 3, Rule 33 could have on consumer access and choice, we respectfully propose that such restriction not be implemented.

Comment to Chapter 3, Rule 2 (p.31)

We support the efforts of the Central Bank to ensure that all instructions from or on behalf of a consumer are processed appropriately. There is, however, a risk that applying a blanket requirement without defining “consumer instruction” could lead to unnecessary administrative costs.

For example, there are clearly a range of customer instructions which could lead to financial disadvantage if not acted upon immediately or within the appropriate business day (e.g., fund switches, current account payments or cancellation notices). There are also, however, a wider range of administrative requests which might reasonably be acted upon in a longer time frame – within 5 days perhaps – without any appreciable risk of financial or other loss to the consumer (e.g., correcting a misspelt name or updating an address). As currently written, it is unclear whether such changes would be caught within the term “consumer instruction” and subject to the 2 day rule. We suggest the solution to this would be to make “consumer instruction” a defined term, thus limiting the 2 day requirement to situations where there would or could be a financial impact from any delay.

Comment to Chapter 3, Rule 19 (p.33)

We share the Central Bank's desire to enhance consumer transparency and it is in that spirit that PPI sales are currently conducted at the time of loan origination. As it stands, consumers who choose to take out a PPI policy alongside a loan are able to do

so on the same application form with each item (and its respective cost) clearly delineated on the document. By using the same application for both products, consumers are able to complete the two clearly separate transactions in less time and with less paperwork. We therefore propose that consumers continue to be able to use a combined application and that, going-forward, a new, two-part requirement be instituted to enhance consumer transparency. Our proposal would: (1) require regulated entities engaged in the sale of PPI to show consumers the cost of their loan with and without PPI; and (2) require consumers who decline to take out a PPI policy at loan origination to confirm that they would be able to continue meeting their financial commitments (i.e., with savings) in the event of a temporary loss of income. We believe that by instituting this dual requirement, overall consumer transparency at the time that individuals are considering taking out a PPI policy would be significantly improved.