

COMPLIANCE AND ADVICE

CIP-02

V4

Technical contributors

Since it was first published, a number of technical contributors have updated, reviewed and verified specific and specialised sections of this textbook. Their work has been invaluable in producing such a comprehensive textbook and is much appreciated.

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Version

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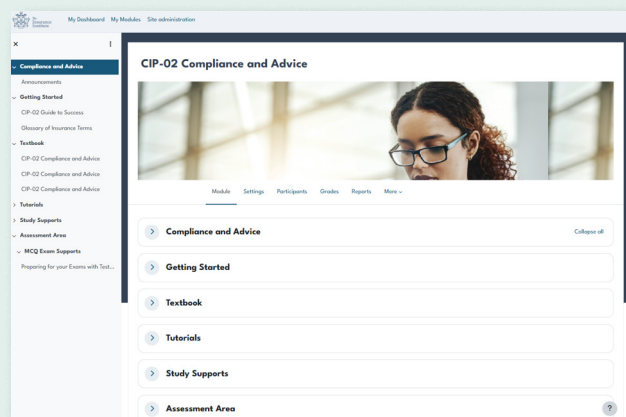
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How to study this module

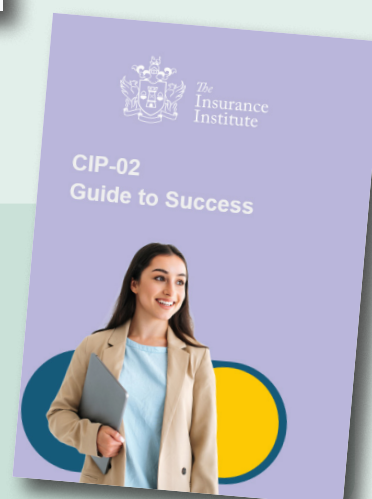
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Your Guide to Success is essential to getting you started on this module. It shows you how to plan your study and cover all the material ahead of your exam. It will help you find the best way to approach your study, give you advice on how to manage your time and ensure you give yourself the best chance of exam success.



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Textbook

All of the questions that feature in your exam are based on the content in this textbook. The online supports listed on the previous page are provided to aid your study of the textbook, **not replace it**. The textbook includes key features designed to help you break down and remember the material as well as understand central concepts. These features work as follows:



Case studies: These illustrate the application of the theory to more detailed real-life or practical workplace scenarios.



Consumer profiles: These are designed to help you to reflect on how regulation and compliance impacts on consumers and to relate the material in this textbook to situations that you, as an adviser, will face daily.



End of chapter questions: These are a great opportunity to test your learning and understanding of the chapter's topics. You can check your answers at the end of each chapter.



Examples: These illustrate how theories operate in simple day-to-day situations.



Extracts: Throughout this textbook you will see extracts from various relevant sources, such as reports, industry codes, speeches and legislation. In some cases, these extracts are summaries or abbreviations of the original source material. If necessary, the original source material should be accessed for the complete wording.



Index: At the end of the textbook, there is an index of websites, legal cases, legislation, acronyms and a glossary of key terms that provide a quick and easy reference to the material featured in the textbook.



Just thinks: These offer you an opportunity to interact with the textbook content by applying your learning.



Key terms: These appear in the margins and at the end of the textbook and explain the meaning and context of insurance terms you may not have come across before.



Microlearning resources: These could be in the form of an infographic, an eLearning activity, a video or a publication. They have been developed to help you with challenging areas/topics. These resources can be found on the Institute's learning platform which can be accessed via the Member Area of www.iii.ie.



Quick questions: These appear throughout the textbook and are designed to test your knowledge as you go. You can check your answers at the end of each chapter.



Sample multiple-choice questions: These can be found at the end of each chapter and are examples of the type of questions that may appear on your exam paper. These questions and their answers are provided to help you to focus your study and prepare for your exam.

Any questions? Contact our Member Services team on **01 645 6670** or memberservices@iii.ie, who will be happy to help.

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Chapter

1

Why and how is the insurance market regulated?

What to expect in this chapter

This chapter introduces you to regulation in the Irish insurance market, by providing:

- An overview of why and how the Irish insurance market is regulated
- An explanation of the role of the Central Bank of Ireland (the Central Bank) in regulating the Irish insurance market.

The chapter also introduces you to the terminology, concepts and organisations that you will meet throughout this textbook, such as the different types of regulation and the Central Bank.

As you may have already guessed from the module title and its table of contents, this textbook is all about compliance, regulation, consumer protection and the advising process. As you start your study, you may be wondering, 'Why does everyone need to know about compliance?' Maybe you think that compliance is a concern only for the management team.

Well, the simple answer is that compliance is everyone's responsibility!

While the Central Bank and numerous regulations (be they European or Irish) outline the expectations on firms and Boards of Directors to comply with many financial and governance requirements, the reality is that as an adviser on the frontline, meeting, advising and protecting consumers, your role is central to compliance. Consumers rely on your advice to make informed decisions. Regulators rely on you to uphold standards and act ethically. Your firm relies on you to ensure that every interaction meets legal and professional expectations.

This textbook will show you how compliance fits into every step of the advising process. It will give you the knowledge and tools you need to meet your obligations, support your customers and build a successful career in financial services. Compliance is not a burden – it's part of what it means to be a trustworthy and professional adviser.

Learning outcomes for this chapter

Section	Title	At the end of each section you should be able to:
A	Why does the insurance market need to be regulated?	Explain why and how financial services providers are regulated.
B	How is the insurance market regulated?	
C	What is the role of the Central Bank?	Outline the main role of the Central Bank of Ireland including its enforcement powers.

Note: This textbook focuses on the role of an adviser who is involved in providing advice at any stage of the insurance process. This includes any activity involved in advising on, proposing, or carrying out other work in preparation for the conclusion of an insurance contract, or any activity involved in assisting in the administration and performance of such a contract. The industry refers to these activities as insurance distribution.

In the world of compliance and regulation, there are many definitions, so for ease of reading, some of these have been substituted or abbreviated. For example, in some instances, the terms 'regulated entity' or 'regulated firm' are simply referred to as the 'firm'. The context indicates whether this relates to an insurer, intermediary or both.



A

Why does the insurance market need to be regulated?

The Insurance Supervision Directorate of the Central Bank is responsible for regulating the Irish insurance market. Within the insurance market, it aims to achieve the Central Bank's 'safeguarding outcomes', which are to:

- Ensure financial stability
- Protect the integrity of the financial system
- Maintain the safety and soundness of firms
- Protect **consumers** and investors.¹

The Central Bank acknowledges that:

Consumer interests are best served by well-functioning financial services markets providing appropriate levels of availability and choice from sustainably profitable, resilient, well-run, consumer-focused firms who secure their customers' interests.²

What difficulties could arise if an insurance market was not regulated?

- Potential serious financial loss – If an **insured** was not fully aware of the product's scope, this could lead to a claim being refused with potentially devastating effects.
- Lack of competent **advice** – If a consumer could not rely on an **adviser** to guide them through the complex insurance sales or claims process, they would be at a disadvantage. They need to have access to and confidence in the adviser's knowledge and **competence**.
- Conflicts of interest – If an adviser placed other interests (e.g. pressure to increase their firm's commission earnings) above those of the consumer, then they were not acting in the consumer's best interests.
- Financial failure of insurance providers – If an insurance provider were to become insolvent, it could harm the stability of the wider economy.



consumer

a customer that is:

- a natural person
- a group of natural persons including a partnership, club, charity, trust or other unincorporated body
- an incorporated body that:
 - does not have an annual turnover in excess of €5 million in the previous financial year
 - is not a member of a group of companies with a combined turnover of more than €5 million

insured

a person/firm that is insured under an insurance policy

advice

a personal recommendation to a person, whether at their request or at the initiative of the firm, in the course of performing a relevant (controlled) function

adviser (advisor)

one who is involved in the advising process, such as an employee of an insurer or an intermediary

competence

a defined level of knowledge and ability necessary for the performance of a job

¹ Central Bank of Ireland, 2025. *Our Approach to Supervision*, February, p.4, www.centralbank.ie.

² Central Bank of Ireland, 2024. *Consultation Paper on the Consumer Protection Code (CP158)*, March, p.27, www.centralbank.ie.

**regulation**

a principle, rule or law designed to control or govern conduct

**Quick question 1**

Why does the Central Bank work so hard to protect consumers?

The answer is at the end of this chapter.

- Lack of competition – As competition provides better value for consumers, stimulates business and enhances the economy, a lack of it could have negative consequences for consumers.
- Lack of consumer trust – If consumers do not have confidence in the market, its providers or its integrity, then they might not be prepared to entrust their money and their business to that market.

As in other areas of the financial services industry, **regulation** of the Irish insurance sector is continually evolving and strengthening.

B

How is the insurance market regulated?

B1 Different types of regulation

There are four different types of regulation and they are:

- Structural regulation
- Systemic regulation
- Prudential regulation
- Conduct of business rules.

These do not operate in isolation but combine to collectively ensure the protection of both consumers and the wider economy from any adverse effects caused by the activities of **firms**.

Figure 1.1 provides examples of these different types of regulation to illustrate how they combine to create an effective regulatory environment.



firm

a regulated entity (used throughout this textbook to refer to regulated entities that provide financial services, including insurers, reinsurers and intermediaries)

Figure 1.1 Examples of the different types of regulation

Structural	Systemic	Prudential	Conduct of Business
Focus on the authorisation process.	Focus on sustaining public and institutional trust and confidence in the financial system as a whole and minimising risks to its stability.	Focus on a firm's ability to meet its financial obligations to customers.	Focus on consumer protection and how a firm interacts with its customers.
Examples include: <ul style="list-style-type: none"> • authorisation of insurers, reinsurers and intermediaries • Fitness & Probity Standards • competition law. 	Examples include oversight of: <ul style="list-style-type: none"> • competition • interest rates • consumer confidence. 	Examples include requirements relating to: <ul style="list-style-type: none"> • capital adequacy • solvency capital • technical provisions • corporate governance • financial returns to the Central Bank. 	Examples include: <ul style="list-style-type: none"> • Consumer Protection Code and Minimum Competency Code • Individual Accountability Framework • Competition and Consumer Protection Commission • Insurance Compensation Fund • General Data Protection Regulation • Anti-money laundering.
SECTION B1a	SECTION B1b	SECTION B1c	SECTION B1d



structural regulation

regulation designed to ensure that only appropriately structured firms and persons of sufficient financial standing, integrity and experience are authorised to provide financial services

insurer

a risk-carrying regulated entity/firm

Competition and Consumer Protection Commission

an independent, statutory body responsible for promoting compliance with, and enforcing, competition and consumer protection law in Ireland

price signalling

when businesses alert their competitors, either publicly or privately, to their intention to increase prices, causing further price increases across the sector

B1a Structural regulation

Structural regulation focuses on authorisation. It ensures that only appropriately structured firms and persons of sufficient financial standing, integrity, competence and experience provide financial services. It performs a 'gatekeeper function' by managing the entry of firms into the financial services industry.

The Central Bank's role in structural regulation involves the authorisation of **insurers**, reinsurers and intermediaries and is outlined in Chapter 2A.

Structural regulation also relies on competition law, which is key to the structure and balance of the financial services industry. Competition law ensures that individual firms do not abuse a dominant or controlling market position or achieve a market share that distorts competition within the sector.

The **Competition and Consumer Protection Commission** (CCPC) is the statutory body that oversees competition and consumer protection law in Ireland. Example 1.1 illustrates the CCPC's role in practice, with a focus on its role in structural regulation.



Example 1.1

In September 2020, the CCPC issued findings concerning alleged anti-competitive behaviour in the Irish private motor insurance market during 2015 and 2016, including **price signalling** and other contacts between competitors, all of which reduced the levels of competition.

In August 2021, the CCPC secured legally binding commitments from the parties under investigation – AIG Europe, Allianz, AXA, Aviva Insurance Ireland, FBD and AA Ireland – to reform their competition law compliance programmes.

Brian McHugh (CCPC member with responsibility for Competition Enforcement and Mergers) said:

Businesses are required to set their prices independently. Any form of pricing statements and suspected coordination that could manipulate future pricing raise serious concerns under competition law, as this can impact on competition and ultimately the price consumers pay. The potential for consumer harm is particularly high in the motor insurance market as consumers cannot avoid taking out a policy if they are to drive legally.

...

The CCPC has invested considerable time and resources over the years in the insurance market, investigating business practices and advocating on behalf of consumers. Whilst this particular investigation may have come to an end, the CCPC is in no way giving the industry a clean bill of health.³

³ Competition and Consumer Protection Commission, 2021. 'Motor insurers set to introduce new compliance measures following CCPC investigation', 20 August, www.ccpc.ie.



systemic regulation

regulation designed to sustain public and institutional trust and confidence in the financial system as a whole and minimise risks to its stability

prudential regulation

regulation that requires firms to control risks and hold adequate capital as defined by capital requirements

capital adequacy

the appropriate amount of capital required to support the insurer's operations

solvency capital requirement

a level of eligible own funds that Solvency II legislation requires insurers/reinsurers to hold, in order to meet liabilities and absorb significant losses

technical provision

reserves held so that assets are matched with known and estimated future claims liabilities and associated expenses; comprising three components: claims provisions, premium provisions and risk margin

B1b Systemic regulation

Systemic regulation focuses on the interconnectedness of the financial system including banks, financial markets and insurers. This interconnectedness means that the failure of one financial institution could cause other institutions to fail. This could potentially harm the economy and society.

The collapse of Quinn Insurance in 2010 is an example of the importance of systemic regulation (Example 1.2).



Example 1.2

In 2010, Quinn Insurance Ltd collapsed. The insurer had underpriced its policies and failed to hold sufficient reserves to meet its liabilities. Its financial instability posed a significant risk not only to its policyholders but also to the broader insurance market and financial system in Ireland.

As a result, the Central Bank intervened and appointed administrators to manage the insurer. Eventually, Quinn Insurance was sold to Liberty Mutual and Anglo Irish Bank (its main creditor).

Its collapse led to the introduction of a 2% insurance levy on all non-life insurance policies in Ireland to fund the Insurance Compensation Fund.

Like structural regulation, systemic regulation relies in part on competition law.

B1c Prudential regulation

Prudential regulation is closely connected with systemic regulation. While systemic regulation focuses on the stability of the financial system as a whole (on a macro-level), prudential regulation focuses on the financial stability and soundness of individual firms, with a regulatory approach tailored to the type and risks of each firm (on a micro-level).

Prudential regulation sets standards to identify and minimise risk. It aims to avoid excessive concentration of risk by an individual firm. Prudential regulation includes requirements about a firm's corporate governance, risk management and internal controls. For insurers, there is a particular focus on **capital adequacy**, **solvency capital requirement** (SCR) and **technical provisions**.

B1d Conduct of business rules

Systemic and prudential regulation benefit the consumer by preventing/limiting the failure of the financial system and of individual firms. Systemic and prudential regulation focus on the operation of financial markets, the business environment and the financial stability of firms in these markets.



Minimum Competency Code

code issued by the Central Bank of Ireland setting minimum competency standards to be met by those falling within the Code's scope when undertaking certain controlled functions

Consumer Protection Code

code issued by the Central Bank setting out requirements that regulated entities/firms must comply with, in order to ensure a minimum level of protection for consumers

conduct of business rules

rules relating to the fair and honest treatment of customers by financial service providers

information

that which is provided to a person, whether at the person's request or at the initiative of the firm, to assist the person in the choice of a retail financial product

Systemic (macro) and prudential (micro) regulation have much in common with **conduct of business rules**, as they are all interdependent. However, the particular focus of conduct of business rules is on how a firm treats its customers during their interactions (including the advising process) and on the provision of competent customer service. The Central Bank's **Minimum Competency Code** (MCC) and **Consumer Protection Code** (CPC 2025) are examples of conduct of business rules.

The Central Bank's conduct of business rules aim to:

- Ensure that advisers who interact with customers are qualified and competent to perform their particular role.
- Provide consumers with clear, relevant and accurate **information** during the sales process, especially regarding fees and policy coverage.
- Recommend products/services suitable to consumers' needs.
- Provide a high standard of follow-up services, e.g. when making a claim or complaint or when renewing a policy.



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

B2 Regulation in practice

Since 1973, Ireland's membership of the EU has significantly influenced the Irish regulatory framework. As a condition of its EU membership and following a referendum, European law holds supremacy over all domestic Irish law, including the Irish Constitution.





There are three sources of EU law:

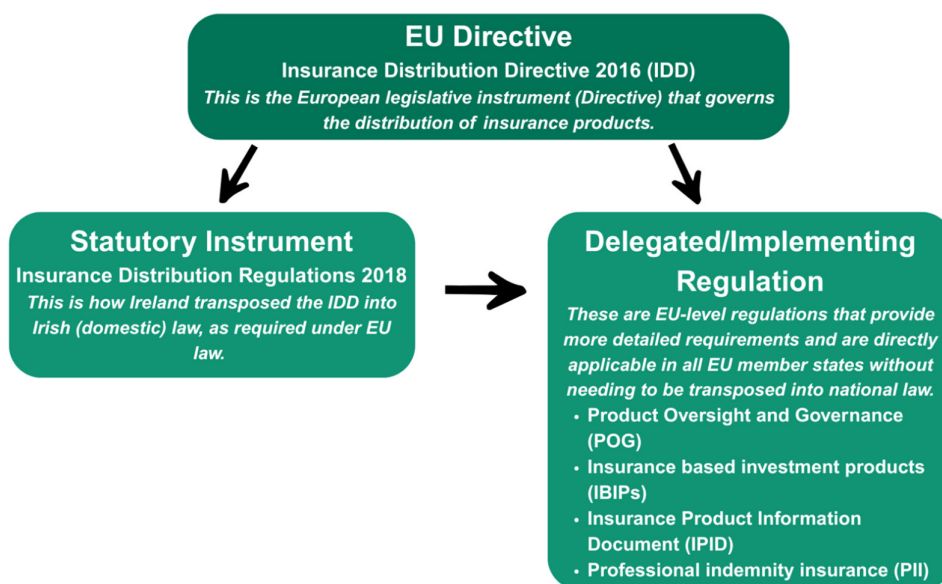
- Primary law refers mainly to the Treaties (e.g. the Treaty of Rome 1957, the Treaty of Lisbon 2007) that create the basis for the EU and how it operates.
- Secondary law comes from the principles and objectives set out in the Treaties. There are three key types of binding EU legislation:
 - **EU Regulations**
 - **EU Directives**, e.g. the First, Second and Third Non-Life Insurance Directives, the **Insurance Distribution Directive 2016 (IDD)**.
 - **EU Decisions**.
- Supplementary law enables the EU to bridge the gaps left by primary and/or secondary law. It includes delegated/implementing Regulations or Acts from the European Commission, case law of the European Court of Justice (ECJ), international law and general principles of law.

European legislation is implemented in Ireland in one of two ways:

- A full **Act of the Oireachtas**, e.g. the **Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Act 2021**, which transposed the **Fifth Anti-Money Laundering Directive 2018** into Irish law
- A **statutory instrument** (SI), e.g. orders, regulations, rules, bye-laws, schemes and statutory codes.

Figure 1.2 outlines an example of how European legislation is implemented in Ireland.

Figure 1.2 Implementing European legislation in Ireland



EU Regulations

legislation that is of general application, binding in its entirety and directly applicable in all EU member states, without the need for member states to transpose it into domestic legislation

EU Directives

legislation that allows EU member states the choice of form and methods of implementation under national law, but must be transposed into domestic legislation and is binding in the results to be achieved

EU Decisions

a decision that is binding in its entirety, but only on those EU member states (or individuals) to whom it is addressed

Act of the Oireachtas

a Bill voted through the Dáil and Seanad (Houses of the Oireachtas) and signed into law by the President

statutory instrument

a form of delegated legislation providing detailed rules that implement the more general provisions of particular European Directives or Acts of the Oireachtas



Quick question 2

Why not simply rely on EU law and avoid the need to create specific legislation in Ireland?



What is the role of the Central Bank?

The Central Bank is responsible for financial services regulation in Ireland.

As we will see in Chapter 2, the Central Bank authorises, regulates and supervises financial service providers, including insurers, reinsurers and intermediaries, as part of its wider role in ensuring the stability of the financial system and protecting consumers.



Banc Ceannais na hÉireann
Central Bank of Ireland

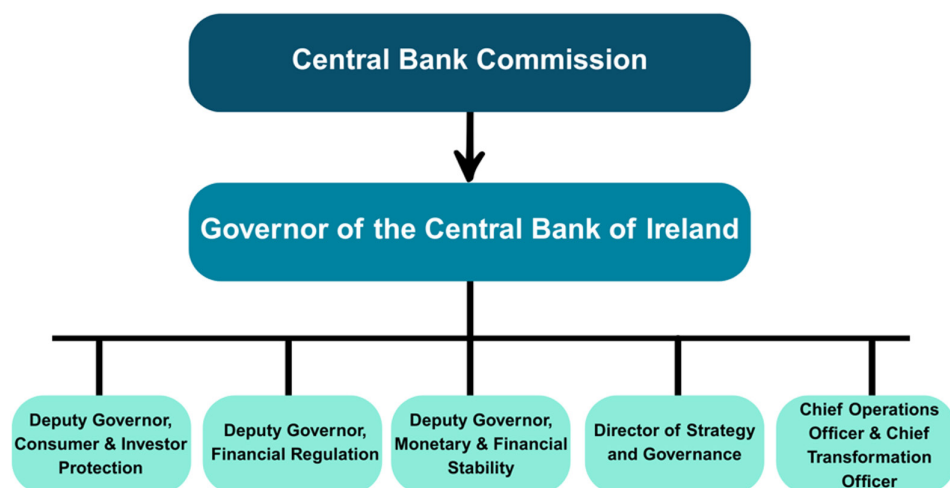
Eurosystem

In 2024, the Central Bank Deputy Governor stated:

Our regulatory approach seeks to underpin a resilient and trustworthy system, where sustainably profitable, resilient, well-run firms, operating in a well-functioning market, meet the needs of the economy and of consumers.⁴

Figure 1.3 shows how the structure of the Central Bank reflects this approach and objective.⁵

Figure 1.3 Structure of the Central Bank of Ireland



⁴ Central Bank of Ireland, 2024. *Consultation Paper on the Consumer Protection Code*, March, p.3, www.centralbank.ie.

⁵ Central Bank of Ireland, www.centralbank.ie



The Central Bank's supervisory responsibilities as a **home country** regulator cover:

- Irish-authorised firms with a head office in Ireland
- Overseas branches of Irish-authorised firms.

The Central Bank has a different role in relation to **passport**ed firms. These are insurance undertakings that are established and authorised in one EU member state (the home country) but can sell to residents of another member state (the host country), as shown in Example 1.3.



Example 1.3

Generali Seguros Y Reaseguros, SAU, trades in Ireland as RedClick. Generali is authorised and prudentially regulated by the General Directorate of Insurance and Pension Funds in Spain. It is regulated by the Central Bank of Ireland for the conduct of business rules. RedClick sells a range of non-life insurance products, including car, motorcycle, van and home insurance.

Who is responsible for the regulation of these passported firms?

- The home country regulator authorises the undertaking and is responsible for its prudential supervision, i.e. the General Directorate of Insurance and Pension Funds in Spain in Example 1.3.
- The **host country** regulator (i.e. the Central Bank of Ireland in Example 1.3) retains control in other areas mainly relating to compliance with **financial crime** regulations and conduct of business rules, e.g. consumer protection. A host country regulator may impose obligations, restrictions and requirements (e.g. marketing, advertising, complaints handling) on the basis of the '**general good requirements**', i.e. if it is deemed beneficial to the population of the host country. These requirements vary from member state to member state. Examples of Central Bank requirements in this area include the CPC 2025, MCC and **Minimum Competency Regulations** (MCR).

The interaction between the home and host country regulators works in a similar way to driving licences. Your driving licence is issued by the local authority where you reside (i.e. the home country) and once issued, it enables you to drive in the country of issue (home country) or in any EU member state (host country) without needing a new licence. But when you drive in another member state (host country), you must follow the rules of the road that apply there. Example 1.4 shows the similarities between driving licences and insurance regulation.

home country (state)

the country whose regulator is responsible for the authorisation of firms in its jurisdiction and the prudential supervision of those firms (and from where services are passported)

passporting

EU system, whereby an insurer established and authorised in one member state can sell to residents of another member state by either establishing a branch there or by way of cross-border services

host country (state)

the country into which services are passported on a cross-border freedom of services basis and whose regulator retains control in certain areas (mainly local conduct of business requirements), but is not the firm's prudential supervisor

financial crime


a wide term embracing money laundering, proceeds of crime, fraud, bribery and corruption

general good requirement

the right of a host country to apply its own laws on the operations of a foreign insurer in its territory, but only if it is deemed beneficial to the population of the host country



Example 1.4

	Home country	Host country
Driving licence example	Issues your driving licence.	Sets the rules of the road in the country you are driving in.
Insurance firm regulation	Authorises the insurer/intermediary and is responsible for prudential supervision e.g. capital and solvency.	Oversees how the firm conducts its business and enforces consumer protection.
Scope of regulation	Applies across all EU countries via passporting rights.	Applies only within the host country's jurisdiction (borders).
Examples of relevant regulation	<ul style="list-style-type: none"> • Solvency II • Insurance Distribution Directive 	<ul style="list-style-type: none"> • Consumer Protection Code • Minimum Competency Code • Anti-money laundering
Applied to Example 1.3	General Directorate of Insurance and Pension Funds (Spanish regulator) authorises Generali Seguros Y Reaseguros.	The Central Bank of Ireland oversees how RedClick conducts its business e.g. advertising, complaints handling, customer interactions.



Just think

How are UK firms dealt with post-Brexit?

Post-Brexit, UK firms no longer have the right to passport within EU member states. The UK is regarded as a 'third country'. Subject to EU regulatory requirements, a UK firm could set up a third-country branch in a European Economic Area (EEA) member state. However, this would not permit passporting into other jurisdictions, i.e. the insurer must set up a separate branch in every EEA member state in which it wishes to transact business.⁶

⁶ John Larkin, 2017. 'Central Bank publishes consultation paper in relation to Third Country Insurance Branches in Ireland', ©William Fry, 24 November, www.williamfry.com.



Just think

What does this mean for firms transacting business in Northern Ireland?

As Northern Ireland is part of the UK, firms transacting business from there for customers based in the Republic of Ireland are subject to the Central Bank's conduct of business rules such as the CPC and MCR. If these firms are transacting business with customers based in the UK, they are subject to UK authorities (the Financial Conduct Authority and Prudential Regulatory Authority) for authorisation, **supervision** and conduct of business rules. AXA would be an example of such a firm. While the conduct of business rules in the UK and Ireland might be substantially the same, as both are based on 'general good requirements', there are differences. It is vitally important for firms, such as AXA, to be aware of this in their business operations.



Quick question 3

Explain what the term 'general good requirements' means.



supervision

the act or function of overseeing something or someone



Microlearning resources

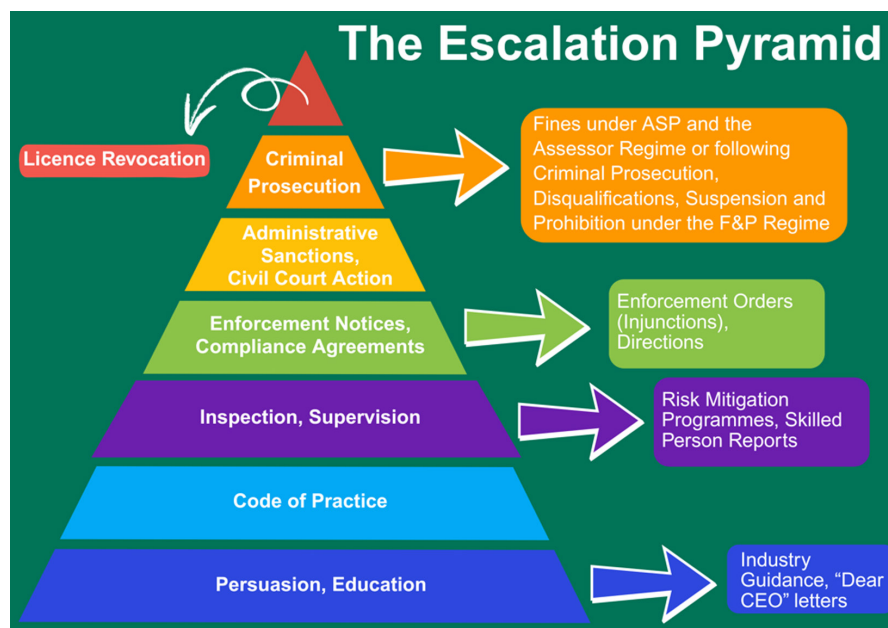
In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

C1 Enforcement by the Central Bank

The Central Bank uses its enforcement powers to promote expected behaviours and achieve regulatory and legal compliance by all firms – irrespective of their nature, scale or complexity.

The escalation pyramid in Figure 1.4 illustrates the hierarchy of the Central Bank's enforcement powers.⁷

Figure 1.4 Escalation Pyramid



⁷ Based on: Central Bank of Ireland, *Retail Intermediary Roadshow 2021*, p.42, www.centralbank.ie.

At the base levels of the pyramid are the most frequently used measures – the so-called ‘soft powers’ of education, persuasion and other ways of seeking voluntary compliance. At the middle levels are powers typically used to correct errors and bring defaulters back into compliance. Further up are less frequently used ‘hard powers’, which involve increasing degrees of intrusion into a firm’s business and coercion of its actions. At the peak are the most coercive measures, such as administrative sanctions, criminal punishment including fines and licence revocations.⁸

Extract 1.1, from a speech by Derville Rowland, Director of Enforcement, Central Bank, highlights the preference for cooperative rather than adversarial relationships with firms.

1.1

Extract ‘The Central Bank’s evolution of enforcement’

Whilst enforcement sits near the top of this escalation pyramid of measures available, there are other measures that the Central Bank can and does use in addressing issues that arise. So, while robust enforcement action will continue to underpin our powers, we would far rather that firms focus on preventing, identifying and acting upon misconduct in the first place than on us punishing them after the fact.⁹



Quick question 4

List any three of the seven steps in the Central Bank’s Escalation Pyramid.

If the Central Bank is concerned that a firm has contravened (breached) a legal or regulatory requirement, a multi-disciplinary team (e.g. lawyers, accountants and investigative experts) gathers information using interviews, documentation and onsite inspections. The management of the firm or the person concerned is given reasonable opportunity to respond and may enter into a binding settlement agreement. Following the investigation, if an agreement cannot be reached, the Central Bank may impose sanctions (see Section C1a) or may refer the contravention for a full inquiry.

C1a Administrative sanctions

When the Central Bank determines that a firm or individual has committed a contravention, it may administer a range of sanctions either individually or in combination (Table 1.1).

⁸ Central Bank of Ireland, 2021. ‘The Central Bank’s evolution of enforcement’. Speech by Derville Rowland at the A&L Goodbody Corporate Crime and Regulation Summit, 13 October, www.centralbank.ie

⁹ Adapted from: Central Bank of Ireland, 2021. ‘The Central Bank’s evolution of enforcement’. Speech by Derville Rowland at the A&L Goodbody Corporate Crime and Regulation Summit, 13 October, www.centralbank.ie.

Table 1.1 Central Bank sanctions ¹⁰	
For firms and/or individuals	<ul style="list-style-type: none">• A caution or reprimand• A fine payable of up to either €10 million or 10% of turnover for firms (whichever is greater) and €1 million for individuals, but not if it causes the firm to cease business or causes an individual to become bankrupt• A direction to stop the contravention if it is found to be continuing• A direction to pay part or all of the costs of the Central Bank inquiry and investigation
For firms only	<ul style="list-style-type: none">• A direction to refund any money charged or paid for the provision of the financial service• A suspension or revocation (i.e. taking away) of the firm's authorisation
For individuals only	<ul style="list-style-type: none">• A direction disqualifying a person from performing any part of a controlled function or functions• A direction imposing conditions on the individual's performance of a controlled function or functions

To illustrate the administrative sanctions imposed by the Central Bank and to demonstrate how seriously it views the failure to implement the requirements of its codes, consider Case study 1.1 (see also Example 7.1).

Case study 1.1

Keystone Insurance Limited

In 2021, the Central Bank fined Keystone Insurance Ltd (a retail insurance **intermediary**) €41,358 for breaches of the Consumer Protection Code between 2012 and 2017, including the overcharging of customers and the provision of unclear communication on customer fees.

Seána Cunningham, Central Bank Director of Enforcement and Anti-Money Laundering, said:

The purchase of everyday financial products by consumers can be a complex and daunting process. Many consumers rely on professionals, in this case an insurance intermediary, to assist them. Insurance intermediaries are required to recommend the most suitable product(s) to meet their customers' needs and to always act in their best interests.

The Central Bank expects that all regulated firms should have adequate processes, systems and controls in place to ensure compliance with the Code, ensure staff are trained on the Code's provisions, regularly check that they are in compliance with the Code and ensure that any failures that may occur are identified and rectified early.

...

In addition, the Central Bank expects that all firms engage proactively with enforcement investigations and provide accurate and comprehensive information in response to Central Bank requests. This is the minimum level of cooperation that the Central Bank expects during the course of an investigation. Failure to do so, as in this case, will be reflected in the level of fine imposed.¹¹



intermediary

a person or firm that acts between a provider and customer in the provision of services (see 'insurance intermediary')

¹⁰ Central Bank of Ireland, 2023. *Administrative Sanctions Procedure – Guidelines*, December, www.centralbank.ie, pp. 90–92.

¹¹ Central Bank of Ireland, 2021. *Enforcement Action Notice: Keystone Insurance Limited reprimanded and fined €41,385 by the Central Bank of Ireland for breaches of the Consumer Protection Code 2012*, 28 January, www.centralbank.ie.

The Irish Financial Services Appeals Tribunal (IFSAT) is an independent, statutory body that deals with appeals against certain Central Bank decisions and sanctions. In such situations, IFSAT provides firms with an accessible, efficient and effective method of appeal.

C1b Other powers

The **Insurance Act 1989** gives the Central Bank extensive powers. It may request a wide range of information from insurers and carry out investigations of an insurer's business and that of persons connected to the insurer. Where it considers that an insurer is, or may be, unable to meet its liabilities or solvency capital requirements, the Central Bank may intervene to direct the insurer to take appropriate measures.

In addition, the **EU Insurance and Reinsurance Regulations 2015** provide that the Central Bank may prohibit the insurer from disposing of assets located within the State.

The Central Bank also has significant powers under the **Insurance Act 1983** to appoint an administrator to act for the insurer. In situations where an insurer is in financial difficulty and consumers are likely to be affected, a court-appointed administrator has the power to take over the management of the insurer's business to put it back on a sound commercial footing (see the case of Quinn Insurance in Example 1.2). The administrator is also granted the power to dispose of all or any part of the business.

Insolvency management is an important aspect of the Central Bank's role, as can be seen in Example 1.5. The Central Bank may petition to wind up an insurer on the grounds that it is unable to pay its debts under the **Insurance Act 1936**. However, at any time up to the conclusion of an inquiry, the Central Bank may enter into a binding settlement agreement with the insurer to resolve the matter.



Example 1.5

CBL Insurance Europe DAC

In March 2020, in the face of a deteriorating financial position and to protect policyholders, the High Court gave the order to wind up CBL Insurance Europe DAC and liquidators were appointed.¹²

Quinn Insurance

In April 2011, the Quinn Insurance administrators agreed to sell the company to US insurance giant Liberty Mutual and Anglo Irish Bank (Quinn Group's main creditor).¹³



Quick question 5

State the failings of Keystone Insurance Ltd that led to their large fines.

¹² Central Bank of Ireland, 2020. 'Update: Statement on CBL Insurance Europe DAC' (Under Administration), March, www.centralbank.ie.

¹³ Note: QUINN-Healthcare was not part of this sale but following a management buy-out, backed by ElipsLife, the health insurance arm was rebranded as laya healthcare.

D

Summary

In this chapter, we considered the nature of regulation and its main types. We also looked at the role of the EU and how European regulation is implemented in Ireland. This chapter also introduced us to the role of the Central Bank, particularly its enforcement powers.

D1 What's next?

This introduction to the Central Bank marks the beginning of our study of regulation and compliance in the Irish insurance market. We continue this theme in Chapter 2, where we look at the Central Bank's authorisation and supervision of insurers, reinsurers and intermediaries.

D2 Study tips

It is important to remember that this textbook is the primary information source for this module. All the questions in your exam will relate directly to information featured in the textbook. Use the 'End-of-chapter questions', 'Quick questions' and the 'Sample multiple-choice questions' to quickly test what you've learned so far. Make a note of any topics/areas you need to improve in and keep it to hand so you can refer to it when you revise this chapter again before your exam.

D3 Online learning supports

In addition to the textbook, the Institute's learning platform (which can be accessed via your Member Area on www.iii.ie) has many online learning supports that can help you as you study this module. These include a Guide to Success, microlearning resources and study tips guide. These learning supports are invaluable in reinforcing what you have learned from the textbook so far. The interactive study chapters, chapter-by-chapter key points and other supports will help you to break down the chapter content when revising.

Completing online mock exams and reviewing the personalised feedback that follows is a great way of testing your knowledge and preparing for exam day.



End of chapter questions

Use these questions to test your understanding of what we've covered in Chapter 1.

1. List the Central Bank's safeguarding outcomes.

2. Identify the difficulties that might arise if an insurance market was not regulated.

3. Outline what is meant by the term 'structural regulation'.

4. Differentiate between systemic and prudential regulation.

5. The Central Bank's Consumer Protection Code is an example of what type of regulation.

6. Briefly explain the status and authority of an EU Directive.

7. Explain the purpose of a statutory instrument.

8. Explain what a passported firm is.

9. Where the Central Bank decides that an insurer or intermediary has committed a contravention, list three sanctions the Central Bank may administer.

10. State the function of the Irish Financial Services Appeals Tribunal.

Answers to end of chapter questions

Check your answers against those below and make a note of any points you left out. This will highlight some sections you may need to look at more closely during your revision.

1. The Central Bank's 'safeguarding outcomes' are to:
 - Ensure financial stability
 - Protect the integrity of the financial system
 - Maintain the safety and soundness of firms
 - Protect consumers and investors.
2. An unregulated insurance market could result in difficulties such as:
 - Potential serious financial loss
 - Lack of competent advice
 - Conflicts of interest
 - Financial failure of insurance providers
 - Lack of competition
 - Lack of consumer trust.
3. Structural regulation is designed to ensure that only appropriately structured firms and persons of sufficient financial standing, integrity and experience are authorised to provide financial services.
4. Systemic and prudential regulation are closely connected. Systemic regulation has a macro (financial system/industry) focus, while prudential regulation has a micro (firm or entity) focus.
5. The Central Bank's Consumer Protection Code is an example of Conduct of Business regulation.
6. An EU Directive allows member states to choose the form and methods of implementation under national law but is binding in the results to be achieved. This means that the rules contained in the Directive must be transposed into domestic legislation.
7. The purpose of a statutory instrument is to provide detailed rules that implement the more general provisions of a particular European Directive or Act of the Oireachtas.
8. A passported firm is an insurance undertaking (e.g. a regulated insurer/reinsurer) established and authorised in one EU member state (the home country) but can sell to residents of another member state (the host country) by either establishing a branch there or by conducting cross-border services into that country.
9. In that situation, the Central Bank can administer any of the following sanctions:
 - A caution or reprimand
 - A fine payable up to either €10 million or 10% of turnover for firms (whichever is greater) and €1 million for individuals, but not if it causes the firm to cease business or causes an individual to go bankrupt
 - A direction to stop the contravention if it is found to be continuing
 - A direction to pay part or all of the costs of the Central Bank inquiry and investigation.
10. The Irish Financial Services Appeals Tribunal is an independent, statutory body that deals with appeals from firms about certain Central Bank decisions and sanctions.

Answers to Quick questions

1. The Central Bank works hard to protect consumers, because individuals and small businesses rely on the advice given by insurers or intermediaries. In an insurance transaction, they are at a disadvantage in terms of competence and knowledge and so the Central Bank advocates for the consumer.
2. Not all EU 'law' is legally binding and certain Directives require a local interpretation when introduced, to take into account the existing political and regulatory framework.
3. The term 'general good requirements' refers to the right of a host country to apply its own laws on the operations of a foreign firm in its territory, but only if it is deemed to be beneficial to the population of the host country.
4. The steps in the Central Bank's Escalation Pyramid are (any three of the following):
 - Persuasive education
 - Code of Practice
 - Inspection supervision
 - Enforcement notices and compliance agreements
 - Administrative sanctions and civil court action
 - Criminal prosecution
 - Licence revocation.
5. Breaches by Keystone Insurance Ltd included overcharging of customers and provision of unclear customer communication on fees. As Keystone was an insurance intermediary, not a large insurer, its fine was comparatively small. The Central Bank considers the scale of the firm being fined and does not impose a fine at a level that would cause a firm to become insolvent.



Sample multiple-choice questions

Note: In your exam you will be awarded +3 marks for every question answered correctly, –1 mark for every question answered incorrectly and 0 marks for every question you choose not to attempt. On the answer form you complete in the exam, you will be required to choose from options A, B, C, D or E. Options A–D correspond with a possible answer to the question, while selecting Option E confirms that you are choosing not to attempt the question. When you attempt the mini-mock and full mock exam papers available on the Institute's online learning platform, this marking system is applied to allow you to prepare for your exam.

1. Market issues that relate to how financial markets work, such as authorisation, fall under which type of regulation?
- A. Structural regulation
 - B. Prudential regulation
 - C. Conduct of business rules
 - D. Systemic regulation

Your answer:

☐

2. An EU Regulation is legislation that is binding:
- A. on all member states, but requires the enactment of local legislation.
 - B. only on the member states to which it is addressed and requires the enactment of local legislation.
 - C. on all member states, without the need for any local action.
 - D. only on the member states to which it is addressed, without the need for any local action.

Your answer:

☐

3. Jenny is an insurance intermediary and is registered as a sole trader. She has committed a serious contravention and the Central Bank has issued her with a fine for €250,000. What, if any, is the maximum additional amount Jenny could have been fined?
- A. Nil
 - B. €100,000
 - C. €250,000
 - D. €750,000

Your answer:

☐

Answers to sample multiple-choice questions

Question 1

Chapter reference: Chapter 1B

Question type: U

Correct response: A

Learning outcome: Explain why and how financial services providers are regulated.

Question 2

Chapter reference: Chapter 1B2

Question type: K

Correct response: C

Learning outcome: Explain why and how financial services providers are regulated.

Question 3

Chapter reference: Chapter 1C1a

Question type: A

Correct response: D

Learning outcome: Outline the main role of the Central Bank of Ireland including its enforcement powers.

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Chapter

2

How are those in the insurance market authorised and supervised?

What to expect in this chapter

This chapter examines:

- How the Central Bank of Ireland authorises and supervises insurers, reinsurers, intermediaries and the private health insurance market in Ireland
- How the law of agency operates in insurance.

For the purposes of this textbook, 'authorisation' refers to the process of applying

to the Central Bank for permission to conduct insurance business. 'Supervision' refers to how the Central Bank ensures that the firm (insurer, reinsurer or intermediary) continues to meet its regulatory obligations.

The chapter also examines how the law of agency operates in insurance, including the duties of an agent and their principal(s) and how an agency is terminated.

Figure 2.1 illustrates the lifecycle of authorisation and supervision in the insurance market.

Figure 2.1 Lifecycle of authorisation and supervision in the insurance market



Learning outcomes for this chapter

Section	Title	At the end of each section you should be able to:
A	How are insurers, reinsurers and intermediaries authorised?	Explain how the Central Bank authorises insurers, reinsurers and intermediaries and describe its main supervisory methods.
B	How are insurers and intermediaries supervised?	
C	What is the role of agency in insurance?	Explain how agency operates in insurance.

A How are insurers, reinsurers and intermediaries authorised?

In Chapter 1, we learned that the Central Bank is responsible for authorising (and supervising) insurers, reinsurers and intermediaries in Ireland. This is **structural regulation** in practice.



structural regulation

regulation designed to ensure that only appropriately structured firms and persons of sufficient financial standing, integrity and experience are authorised to provide financial services

The Central Bank notes that:

Authorisation is an important part of our supervisory framework. It requires us to assess firms' proposals against applicable regulatory standards and legal requirements and to ensure that any firm authorised demonstrates that it has met and will continue to meet, those standards and requirements.¹⁴

As the authorisation process reflects the nature, scale and complexity of a firm's activities, it differs for insurers/reinsurers and intermediaries. Figure 2.2 is a non-exhaustive list of the Central Bank's expectations on firms applying for authorisation.¹⁵ These expectations and the authorisation process are guided by the EU Directives mentioned in Chapter 1. Depending on the context or complexity of the firm, the Central Bank will request additional information during the authorisation process.

Figure 2.2 Central Bank's expectations of applicant firms



Let's see how the authorisation process applies to each.

¹⁴ Central Bank of Ireland, 2024. *Guidance on expectations for applicants seeking authorisation from the Central Bank of Ireland to operate as a regulated Firm*, November, p.3, www.centralbank.ie.

¹⁵ Central Bank of Ireland, 2024. *Guidance on expectations for applicants seeking authorisation from the Central Bank of Ireland to operate as a regulated Firm*, November, pp.7–11, www.centralbank.ie.

**fitness**

the qualifications, experience, competence and capacity appropriate to the relevant function

probity

a person's honesty, fairness and ethical attitude

reinsurance

a form of insurance for an insurer, whereby all or part of the risk underwritten by an insurer is transferred to a reinsurer

underwriting

process of risk pooling, evaluation, selection and pricing

retail intermediary

a regulated entity/firm that receives and supplies orders for certain financial products and/or gives advice about those products

insurance intermediary

any person or firm, other than an insurer/reinsurer (or ancillary insurance intermediary) or their employees, who takes up or pursues the activity of insurance distribution and is subject to the **Insurance Distribution Regulations 2018**

A1 Authorisation of insurers and reinsurers

Under the **Insurance Acts 1909–2009** and the **EU Insurance and Reinsurance Regulations 2015**, an insurer/reinsurer cannot carry out business in Ireland without an authorisation from the Central Bank or from the recognised regulatory authority of another EU or EEA member state.

To be authorised as an insurer/reinsurer with its head office in Ireland, a firm must:

- Have its head office and registered office in Ireland and be a company registered under the **Companies Act 2014**
- Submit details of its directors, managers and authorised agents for approval of their **fitness** and **probity**
- Provide detailed information on areas of management responsibilities in the insurer's operation
- Submit a detailed scheme of operations, essentially a business plan (including a summary of the type of risks it proposes to cover)
- Hold the relevant solvency capital requirement (SCR)
- Provide a plan setting out three years' financial estimates for insurance and **reinsurance** business
- Submit a forecast balance sheet and estimates for the cover of its **underwriting** liabilities and SCR
- Hold the required minimum paid-up share capital.



The firm may not write any business until it receives the final Certificate of Authorisation from the Central Bank. The application process usually takes about 6 months but can take longer.

A2 Authorisation of insurance intermediaries

In the non-life (general) insurance industry, a **retail intermediary**, authorised under the **Insurance Distribution Regulations 2018**, and regulated by the Central Bank can be:

- An **insurance intermediary**
- An ancillary insurance intermediary, e.g. car rental firms offering insurance as part of a car rental package; or travel agents and airlines offering travel insurance
- A reinsurance intermediary.

To apply for authorisation, an intermediary must submit an application form, which will require details of the firm as follows:¹⁶

- Its ownership, nature of business and intended agency appointments (letters of intent)
- How it is being run, i.e. staff experience and qualifications, cash flow projections and group organisational charts
- Details of procedures, practices and protocols to protect consumers
- Confirmation that it holds the required amount of professional indemnity insurance (see Chapter 2B3b)
- How it will comply with its legal obligations and the Central Bank's handbooks and codes, as well as details of the person responsible for compliance
- Completed 'Individual Questionnaire' from (or on behalf of) each director, qualifying shareholder and senior manager, to comply with the Central Bank Fitness and Probity Standards.

Once the authorisation process is complete, the firm receives a Statement of Authorised Status and/or a Certificate of Registration. However, this may be subject to conditions.

A3 Insurance distributors

The **Insurance Distribution Regulations 2018** (IDR) cover authorisation, passporting arrangements and regulatory requirements for **insurance distributors**.

The principal aim of the IDR is to enhance protection for insurance consumers and to support competition between insurance distributors by creating a level playing field.



Just think

Is an insurance distributor different from an insurer or an intermediary?

A person (or firm) cannot undertake **insurance distribution** in Ireland (whether carried out directly by an insurer/reinsurer or through an intermediary) unless authorised as:

- An insurance intermediary
- An **ancillary insurance intermediary** (unless the insurance involved covers risks to travel including breakdown, loss of or damage to goods, or damage to or loss of baggage, and where the annual premium payable does not exceed €600 or, if the duration of service is 3 months or less, the premium payable per person does not exceed €200)¹⁷
- An **insurance undertaking**.

Example 2.1 illustrates some insurance distributors that fall within the scope of the IDR.



insurance distributor

any insurance intermediary, ancillary insurance intermediary or insurance undertaking engaged in selling, developing and/or distributing insurance products

insurance distribution

any activity involved in advising on, proposing or carrying out any other work in preparation for, or conclusion of, contracts of insurance, or of assisting in the administration and performance of such contracts

ancillary insurance intermediary

a person or firm whose principal professional activity is not insurance distribution, but who provides only insurance products that are complementary to their principal professional activity

insurance undertaking

a regulated entity/firm engaged in insurance activity, holding an authorisation from the Central Bank of Ireland

¹⁶ For the avoidance of doubt, the IDR refer to 'registration' rather than 'authorisation' of insurance intermediaries, but the effect and process is the same in practice.

¹⁷ The purpose of this exemption is to exclude low-value insurance transactions (occurring in the context of retail sales) from the scope of regulated insurance distribution activity.



loss assessor

an expert in dealing with insurance claims, as appointed by the insured to prepare and negotiate a claim on their behalf

captive

an authorised insurer that has been formed as a subsidiary of a non-insurance parent company

reinsurance intermediary/broker

any person, other than a reinsurer or its employees, who takes up or pursues the activity of reinsurance distribution

client

a person, firm or organisation that deals directly with an insurance provider or has appointed a regulated entity/firm to act on their behalf for insurance purposes

customer

a broader term than 'consumer', referring to any person to whom a regulated firm provides or offers (via marketing, advertising or other means) financial services, or who requests the provision of a financial service from the firm (interchangeable with the term 'client')



Quick question 1

State the principal aim of the **Insurance Distribution Regulations 2018**.

The answer is at the end of this chapter.



Example 2.1

- Credit institutions, credit unions and stockbrokers, when acting as insurance intermediaries
- Call centres providing services to/operating on behalf of insurers
- **Loss assessors** retained by the insured (and not the insurer providing the cover)
- **Captive** insurance managers
- **Reinsurance intermediaries**
- Retail outlets offering insurance products, e.g. SuperValu car insurance
- Ancillary insurance intermediaries (where not exempt, as mentioned previously)
- Comparison information websites (or other media) that enable **clients** to directly or indirectly conclude an insurance contract.

However, there are specific exemptions in the IDR for the following activities:

- The provision of information to a **customer** on an incidental basis, while undertaking another professional activity, if no additional steps are taken to assist the customer in concluding or performing an insurance contract
- The management of a (re)insurer's claims on a professional basis, e.g. a third-party firm appointed by an insurer to manage high-volume motor claims on its behalf
- Loss adjusting or expert appraisal of claims for reinsurers
- (Re)Insurance distribution activities in relation to risks arising outside the EEA
- The mere provision of data and information only, if the firm does not take any additional steps to assist the client in concluding an insurance contract, e.g. radio or TV advertising.

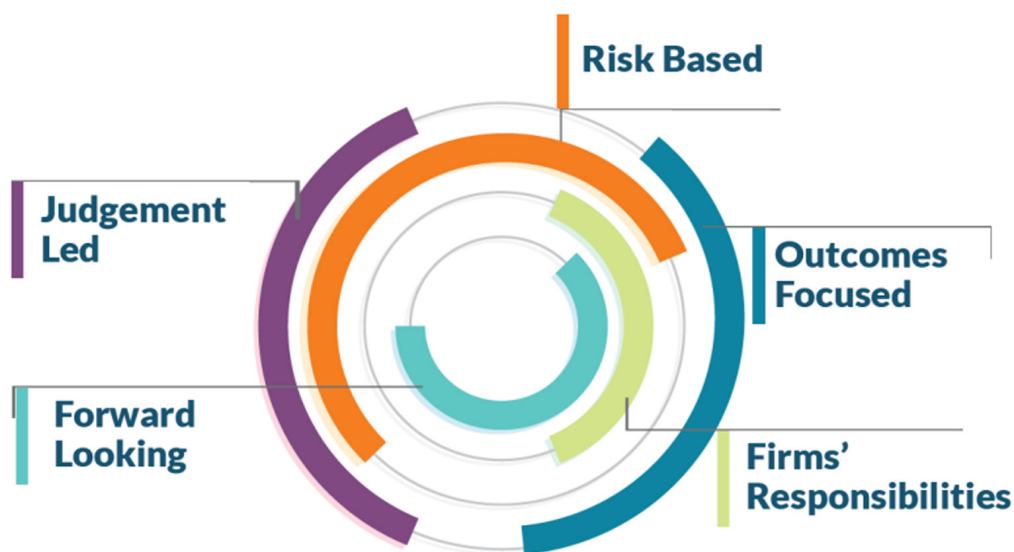
The impact of the IDR on the advising process is illustrated in Chapters 4 to 7 of this textbook.

B How are insurers and intermediaries supervised?

As we saw in Section A, insurers, reinsurers and intermediaries must undergo a rigorous application process before the Central Bank grants authorisation. However, this does not mark the end of the Central Bank's involvement, as it continues to engage with the firm to make sure it meets all aspects of its regulatory obligations on an ongoing basis. This is prudential regulation in practice.

The principles that form the basis for the delivery of the Central Bank supervisory approach are illustrated in Figure 2.3.¹⁸

Figure 2.3 Central Bank Supervisory Principles



How do these Supervisory Principles dictate the Central Bank's supervisory activities?

¹⁸ Central Bank of Ireland, 2025. *Our Approach to Supervision*, February, p.7, www.centralbank.ie.

The Central Bank is:¹⁹

- Outcomes-focused – communicates its expectations in relation to outcomes and timelines and supervises the firm's achievement of these
- Risk-based – deploys its supervisory efforts towards the greatest potential impact of risks or vulnerabilities
- Judgement-led – uses data, analysis and information to inform its judgement and reactions
- Forward-looking – takes a longer-term view, anticipating trends and emerging risks to position itself to respond quickly and effectively
- Focused on firms' responsibilities – recognises that foremost responsibility for risk identification, management and mitigation lies with the firm.

The Central Bank uses different tools to supervise insurers/reinsurers and intermediaries. Some tools are used for both, but others are specific to either insurers, reinsurers or intermediaries, reflecting the different risks posed. For example, as insurers are responsible for paying claims, the rules regarding financial soundness are more complex for insurers than for intermediaries.

In Section B1, we discuss the supervisory tools that apply to both types of firm. In Sections B2, B3 and B4, we consider the tools used to supervise insurers, intermediaries and private health insurers respectively.

B1 Supervisory tools

B1a Risk-based approach

As illustrated in Figure 2.3, the Central Bank's level of supervision is driven by the risk posed by the firm and the level of damage it could cause to the financial system, the economy and consumers, if it were to fail. The most significant firms receive close, continuous supervision by an integrated supervision team. In addition, the Central Bank will have a set level of engagement with the firms' key individuals on an annual basis. Firms that pose a less significant risk are subject to sectoral and cross-sectoral thematic supervision undertaken by multi-disciplinary teams.

Along with the risk-rating of firms, the Central Bank's level of engagement takes into consideration the **Solvency II Directive 2009** (Solvency II) risk assessment framework.

The Central Bank signposts its supervisory priorities for each sector in its annual *Regulatory and Supervisory Outlook Report*.²⁰ These priorities incorporate European and other supervisory obligations.



Just think

Under the Central Bank's risk-based approach to supervision, how significant is a small insurance intermediary considered to be?

Small insurance intermediaries are considered to pose a lower risk. However, despite this, the Central Bank specifically allocates resources for supervision and for enforcement actions against such firms where breaches are discovered.

¹⁹ Central Bank of Ireland, 2025. *Our Approach to Supervision*, February, pp. 7-8, www.centralbank.ie.

²⁰ Central Bank of Ireland, 2025. *Regulatory and Supervisory Outlook Report*, February, p.3, www.centralbank.ie.

B1b Thematic reviews

The Central Bank conducts thematic reviews, which focus on a particular area of compliance or regulation. These reviews may be driven by market intelligence, internal sources, the media or other external sources, e.g. members of the public, competitors, other regulators, employees or ex-employees, consumers or An Garda Síochána. Details of previous Central Bank thematic reviews and inspections can be found on the Central Bank website.²¹

Prior to undertaking such reviews, a letter is issued to selected firms indicating the nature or theme of a proposed review. On completion of the reviews, the Central Bank presents specific findings to each individual firm involved and issues a summary of its general findings to all firms by means of an industry letter. For example, in September 2022, the Central Bank wrote a *Dear CEO letter* to home insurers outlining its review findings and suggesting actions to be taken regarding the risk posed to consumers of not having sufficient home insurance cover (underinsurance).²²

B1c Consumer protection risk assessments

The Central Bank's **Consumer Protection Risk Assessment (CPRA) model** is a supervisory tool that is used to assess how insurers and large intermediaries manage consumer protection risk. CPRAs involve an onsite assessment by a supervisor (a design review and an effectiveness review), followed by formal feedback. The Central Bank mostly conducts targeted CPRAs, focusing on priority risks. CPRAs are undertaken in addition to, and in support of, the regular programme of thematic inspections.²³

In August 2024, the Central Bank issued a *Dear CEO letter* to the insurance industry, detailing its findings following a targeted CPRA of insurance firms' consumer protection risk management frameworks. This CPRA assessed how insurance firms identify, manage and mitigate the risks posed to consumers. The letter outlined follow-up actions to be taken by firms.²⁴

B1d Other supervisory tools

Direct engagement with sectors, firms and individuals, deep dives/investigations, risk analysis and assessments and monitoring and review of submissions (e.g. regulatory returns and breach and incident reports) are examples of other tools used, as and when required.²⁵ There is a higher level of engagement with firms that have been identified as posing a higher risk (see Section B1a).



Consumer Protection Risk Assessment model

Central Bank model comprising five modules: governance and controls; people and culture; product development; sales/transactions process; and post-sales handling

²¹ Central Bank of Ireland (Regulation – Consumer Protection, Compliance Monitoring, Themed Inspections), www.centralbank.ie.

²² Central Bank of Ireland, 2022. *Central Bank expectations relating to the risk posed to consumers of not having sufficient home insurance cover*, September, www.centralbank.ie.

²³ Central Bank of Ireland, 2017. *A Guide to Consumer Protection Risk Assessment*, March, www.centralbank.ie.

²⁴ Central Bank of Ireland, 2024. *Targeted Consumer Protection Risk Assessment: Consumer Protection Risk Management Frameworks in Insurance Firms*, August, www.centralbank.ie

²⁵ Central Bank of Ireland, 2025. *Our Approach to Supervision*, February, p.10, www.centralbank.ie.

**underwriting risk**

the risk of uncontrollable factors or an inaccurate assessment of risks, when underwriting an insurance policy or a class of insurance business

market risk

the risk of losses arising from adverse movements in market prices

liquidity risk

inability of a financial service provider to meet on- and off-balance sheet obligations in a timely fashion, without incurring excessive cost, while continuing to fund its assets and growth

operational risk

the risk of loss resulting from inadequate or failed internal processes, systems and individual behaviours, or from external events

credit risk

the risk that a party to a contract will not fulfil their financial obligation under that contract

competence

a defined level of knowledge and ability necessary for the performance of a job

B2 Supervision of insurers

The Central Bank supervises insurers to ensure they comply with strict solvency rules that require them to maintain adequate technical provisions (reserves) and to meet the solvency capital requirements (SCR).

The Central Bank requires each insurer to submit relevant key information via a secure online portal. These returns are the main means by which the Central Bank supervises the financial soundness of individual insurers. The two primary requirements are to:

1. Maintain adequate technical provisions (reserves). An insurer's technical provisions (reserves) must match assets with known and estimated future claims liabilities and associated expenses. In addition, an insurer must ensure that its underwriting liabilities (i.e. what it will have to pay out in claims) in a particular currency are matched by assets held in that currency.
2. Meet solvency capital requirements. An insurer's regulatory SCR is one of the key measures of its financial soundness. It covers all the material risks including;

- **underwriting risk**
- **market risk**
- **liquidity risk**
- **operational risk**
- **credit risk.**

Meeting SCR allows the insurer to withstand significant losses and ensure a prudent level of protection for policyholders and beneficiaries. Under Solvency II, the insurer needs to set its solvency capital requirement based on its own assessment of these risks by using either the standard formula or its own 'internal model' (which the Central Bank must approve) to identify what it considers to be an appropriate level of capital.

B3 Supervision of intermediaries

The Central Bank supervises all regulated insurance and reinsurance intermediaries to ensure that they have strong management, internal control and compliance procedures in place and employ people of integrity and **competence** at all levels. Figure 2.4 illustrates the main supervisory tools used.²⁶

²⁶ Redrawn from Central Bank of Ireland. *Intermediary Roadshow 2021*, p.22, www.centralbank.ie.

Figure 2.4 Central Bank supervisory tools for intermediaries**B3a Central Bank supervisory tools**

To summarise the tools listed in Figure 2.4, the Central Bank combines the following three methods:

1. Desk-based supervision. Given the size of the intermediary sector, increased use of technology allows the Central Bank to:
 - ensure that minimum standards of compliance are met, e.g. professional indemnity insurance (PII), Fitness and Probity (F&P), financial returns
 - assess and investigate risks or issues
 - manage enforcement cases
 - conduct market research and
 - engage with stakeholders.
2. Inspections. These inspections include thematic reviews, firm-specific inspections and unannounced onsite inspections. For example, dedicated supervision teams are automatically alerted when an intermediary fails key financial health checks, which in turn facilitates an appropriate targeted supervisory action to address the issue.
3. Annual returns. All retail intermediaries are required to submit a Retail Intermediary Annual Return (RIAR) to the Central Bank's secure online portal. The RIAR is based on the retail intermediary's financial position at the end of its financial year and must be submitted no later than 6 months following the reporting date (submission due date).²⁷

²⁷ Central Bank of Ireland (Regulation – Industry & Market Sectors, Brokers/Retail Intermediaries, Annual Online Returns), www.centralbank.ie.



professional indemnity (liability) insurance

insurance that covers claims arising from the professional activities (including negligent or inadequate advice) of advisers

tiered insurance intermediary

any intermediary who:

- undertakes insurance or reinsurance distribution for and on behalf of one or more insurer/reinsurer(s) or other intermediaries in the case of insurance products that are not in competition
- acts under the responsibility of those insurers/reinsurers or other intermediaries
- is subject to oversight of compliance with conditions for registration by the insurer/reinsurer or other intermediary on whose behalf it is acting



Quick question 2

What is meant by the term 'tiered insurance intermediary'?

The RIAR covers four key areas within the firm:

- General information – trading name, legal status, contact details, membership of representative bodies, names of compliance officer and auditors
- Financial information – assets, liabilities, turnover, fees, commission and other key areas of financial reporting
- Ownership information – details of the owners, qualifying shareholders and partners
- Conduct of business information – scope of business activities, professional indemnity insurance and key information showing compliance with the Minimum Competency Code (MCC) and Consumer Protection Code (CPC 2025).

B3b Professional indemnity insurance

Under the **Insurance Distribution Regulations 2018 (IDR)**, every insurance and reinsurance intermediary must hold **professional indemnity insurance (PII)**. This does not apply where the intermediary is acting on behalf of an insurer/reinsurer who has already provided PII or, as with a **tiered insurance intermediary**, the insurer/reinsurer has taken full responsibility for the intermediary's actions. The current minimum levels of cover in Ireland are €1,564,610 per individual claim and €2,315,610 aggregate for claims arising in any one year.²⁸ In practice, intermediaries may hold a significantly higher limit than the minimum imposed.

In relation to each authorised activity (where there is a requirement to hold PII cover), and depending on the number of authorisations held, an intermediary must hold separate, ring-fenced cover. Example 2.2 illustrates the situation for an intermediary authorised as both an insurance and investment intermediary.



Example 2.2

InsuranceSolve is registered as an insurance intermediary (under the IDR) and is also authorised as an investment intermediary (under the **Investment Intermediaries Act 1995**). InsuranceSolve is required to hold separate ring-fenced PII cover of:

- €1,564,610 per individual claim and €2,315,610 aggregate per year for its insurance activities and
- €1,564,610 per individual claim and €2,315,610 aggregate per year for its investment activities.

Under the IDR, an insurance intermediary's PII (or other comparable guarantee against professional negligence liability) must cover the whole territory of the member states.

²⁸ Central Bank of Ireland, 2024. *Guidance for Retail Intermediaries on the Requirement to hold Professional Indemnity Insurance Cover*, October, www.centralbank.ie.

B4 Supervision of private health insurers

All private health insurers must be authorised and supervised by the Central Bank.

The private health insurance sector requires separate consideration and supervision as its marketplace functions differently, with unique legal and regulatory principles governing underwriting and risk acceptance. Therefore, in addition to the Central Bank's oversight, health insurers' compliance with the **Health Insurance Acts 1994–2022** is supervised by the Health Insurance Authority (HIA) (see Section B4a).



The **Health Insurance Acts 1994–2022** are the source of regulation for the private health insurance market. These Acts enacted into law the following statutory principles, on which the private health insurance market operates:

- **Community rating.** An insurer offering a health insurance contract for a specific level of benefit must charge the same premium to all **policyholders** regardless of their age, gender, claims experience, or current or prospective health status. There are variations or modifications to this principle, e.g. reduced premiums for children and young adults (aged 18–25) and the **Lifetime Community Rating** (LCR) system.
- **Open enrolment.** An insurer must accept all individuals regardless of the risk they pose or their age or gender.
- **Lifetime cover.** Once an individual has a health insurance policy, an insurer may not cancel or refuse to renew such cover regardless of that individual's claims experience. Exceptions are non-payment of premium, fraud or if the insurer ceases to write health insurance business in the State.
- **Minimum benefits.** All private health insurers must provide cover for a statutory minimum schedule of benefits as laid down in the **Health Insurance Act 1994 (Minimum Benefit) Regulations 1996** (as amended).

These principles are considered in more detail in the modules 'Personal General Insurance' and 'Health Insurance & Associated Insurances'.



policyholder/insured

a person/firm that is insured under an insurance policy

lifetime community rating

the older a person is when they initially take out private health insurance, the higher the premium they will pay (but the premium may not subsequently be increased to reflect the person's advancing age)



risk equalisation

a process that aims to impartially neutralise differences in insurers' costs that arise from differences in the age profile of the persons they insure



open membership undertaking

an undertaking that provides in-patient health insurance cover (or cash benefit plans) and must accept (subject to certain limited terms and conditions) all persons who wish to purchase private health insurance

restricted membership undertaking

a health scheme restricted to a particular class of membership, usually established as a 'friendly society'

B4a The Health Insurance Authority

The Health Insurance Authority (HIA) is the independent regulator of the private health insurance market. According to the HIA's most recent strategic plan:

Our purpose is to regulate a well-functioning market and provide consumers with information and tools to make informed choices.²⁹

The HIA's main functions are to:³⁰

- Supervise the health insurance market and, where appropriate, enforce compliance with the Health Insurance Acts
- Advise the Minister on matters relating to health insurance
- Manage the health insurance stamp duty, **risk equalisation** credits and the Risk Equalisation Scheme³¹
- Increase public awareness of their rights as consumers of health insurance and the services available to them
- Maintain the Register of Health Insurance Contracts
- Maintain the Register of Health Benefits Undertakings.

As noted, the HIA maintains the Register of Health Benefits Undertakings. Under the **Health Insurance Acts 1994–2022**, any health insurer conducting health insurance in Ireland (including those with headquarters outside Ireland) must register with, and obtain a certificate from, the HIA. The health insurer must re-register with the HIA on an annual basis. A health insurer that is not on the Register is prohibited from conducting health insurance business in Ireland.

There are two categories of health insurer included on the Register of Health Benefits Undertakings:³²

- **Open membership undertakings.** Examples include Vhi Healthcare, Irish Life Health, Laya Healthcare and Level Health. Hospital Saturday Fund (HSF) Health Plan is also an open membership undertaking but provides cash benefit plans only.
- **Restricted membership undertakings.** These provide in-patient health insurance to the employees (current and retired) of a particular organisation and their dependants. Examples include St Paul's Garda Medical Aid Society and the Prison Officers' Medical Aid Society.

Under the **Health Insurance (Miscellaneous Provisions) Act 2009**, if the HIA believes that a registered health insurer is contravening a provision of the Health Insurance Acts, the HIA may serve an enforcement notice. The notice must state:

- The provision that has been contravened (broken) and the steps to be taken to rectify it
- The timeframe to do this (i.e. not later than 45 calendar days) or, if the health insurer does not accept that it is in breach, to apply to the High Court to request that the notice be cancelled, whereupon the High Court may cancel or confirm the HIA's direction.³³

²⁹ Health Insurance Authority. *Strategic Plan 2025–2028*, p.7, www.hia.ie.

³⁰ Health Insurance Authority. *Strategic Plan 2025–2028*, p.5, www.hia.ie.

³¹ **Health Insurance Act 1994 (Risk Equalisation Scheme) Regulations 2013.**

³² Health Insurance Authority (Regulation – Register of Health Benefits Undertakings), www.hia.ie.

³³ Regulation 18C(1), **Health Insurance (Miscellaneous Provisions) Act 2009.**

If a health insurer does not comply with the enforcement notice within the timeframe (and does not make a High Court appeal), the HIA may apply to the High Court to order the health insurer to take the steps required to correct the breach. If this happens, the health insurer will be subject to a court order. Failure to comply would have serious consequences, including removal from the Register of Health Benefits Undertakings and therefore being prohibited from selling health insurance in Ireland.

The **Health Insurance (Amendment) Act 2012** gave the HIA further powers regarding contraventions of the Health Insurance Acts. These include revised penalties for offences under the Acts and the power to appoint authorised officers to investigate suspected contraventions.



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.



Quick question 3

List the principles on which the private health insurance market is based and outline how these principles impact on pricing (excluding Lifetime Community Rating).



What is the role of agency in insurance?

Now that we have explored how insurers, reinsurers and intermediaries are authorised and supervised to ensure compliance with regulatory obligations, we turn to an example of how this framework operates in practice – the role of agency.

In many insurance transactions, the consumer does not deal directly with the insurer but instead, deals with an intermediary acting as an agent. Understanding the role of the agent and who they represent at different stages of the insurance process is crucial to understanding how regulatory responsibility is distributed.

We considered the basis of a valid contract in the 'Nature of Insurance' module and noted that a contract is formed when one party makes an offer that the other party accepts unconditionally. In practice, many insurance contracts are not created directly between an individual (organisation or company) and an insurer, but through an insurance intermediary such as a **broker**.

In this context, the intermediary acts as an **agent**.

In law, an agent is one who is authorised by a **principal** to act on their behalf and assist them in entering into a binding contract with a third party. In general contract law, the agent will have no continuing duty once the contract is completed, although different rules and practices may apply.

Chapters 4–6 explain the documentation that supports the principal–agent relationship in insurance.



broker

an insurance intermediary that provides its principal regulated activities on the basis of a fair analysis of the market

agent

a person or firm who is authorised by a principal to bring that principal into a contractual relationship with a third party

principal

a person for whom another acts as agent



outsourcing

the employment of another person/firm (other than an employee of the firm) to carry out an activity on behalf of the firm

fiduciary relationship

a relationship recognised by the law as being based on trust and responsibility, which in the insurance context means that legal duties and obligations are placed on the agent for having undertaken to perform certain activities on behalf of the principal

C1 Duties of an agent and a principal

The duties of agents and principals are summarised in Tables 2.1 and 2.2. These legal duties apply to all agency arrangements, not just insurance. In insurance, many of these general duties are reinforced by legislation and the Central Bank's codes.

Table 2.1 Duties of an agent

obedience	An agent must obey their principal's instructions. If the agent fails to comply, the principal has the right to sue for any damages incurred.
personal performance	An agent must personally perform the duties imposed by the principal. However, in practice, this does not always apply. For example, an agent may delegate simple administrative tasks such as typing. It may delegate its duties to specialist employees or may outsource some tasks with the client's knowledge and consent. Where any delegation or outsourcing occurs, the agent remains responsible to the principal for the performance of those tasks or duties.
due care and skill	An agent must exercise due care and skill, as appropriate to their qualifications, knowledge and experience, in the performance of all acts undertaken in the course of their duty as an agent.
good faith	An agent has a fiduciary relationship with their principal, i.e. a duty of good faith. The agent must not allow their own interests to conflict with their duties to the principal. For example, they must not accept bribes or secret commissions or use confidential information from the principal without their knowledge or consent.
accountability	An agent must account to the principal for all monies received on their behalf and must keep a proper record of all transactions.

Table 2.2 Duties of a principal

remuneration	The principal has a duty to pay the remuneration agreed or, if none has been fixed, to pay a reasonable remuneration as appropriate. For insurance transactions, the remuneration can be a commission and/or brokerage fee paid on the agent's completion of the transaction.
indemnity	Subject to any express terms in the agency agreement, the principal has a duty to provide an indemnity (payment) to the agent for all expenses or losses incurred in acting on the principal's behalf.

C2 Termination of an agency

An agency may be terminated in any of the following four ways:

- Mutual agreement by the principal and the agent
- According to the terms of cancellation in the agency agreement
- Withdrawal by the principal, or revocation (giving up) by the agent, other than according to the agreed terms
- Automatically on death, bankruptcy or insanity of either party.

In the case of bankruptcy, the agency can only be terminated if the agent's bankruptcy prevents them from carrying out their duties. Surprisingly, the agent's imprisonment is not grounds for termination.

C3 Agency and insurance



proposer

a person, firm or organisation applying for insurance (but not yet a policyholder/insured)

In most transactions, it is easy to identify the principal, agent and third party. This is because an agent will usually act only on behalf of one of the contracting parties. The situation is different in insurance contracts, as an agent (such as an intermediary/broker) may act on behalf of either the insurer or their client (i.e. the **proposer** or insured) at different times.

As Figure 2.5 illustrates, the insurance broking distribution channel can involve a number of principals and agents.

Figure 2.5 Insurance broking distribution channel



So how do we figure out who is the principal of an insurance intermediary?

The simple answer is that, except in the case of a tied insurance intermediary, an insurance intermediary is generally considered to be acting as an agent for their client.

There are, however, some situations in which they are acting as an agent for the insurer. Or there are other situations in which an insurance intermediary undertakes a task and, at different times during this task, is acting as an agent for the client or the insurer. For example, an insurance intermediary may survey a commercial premises in order to:

- Present the information, together with other risk details, to the insurance market. In this situation, the intermediary is acting as an agent for the client.
- Provide a description of the property to the insurer for the purposes of risk assessment. In this situation, the intermediary is acting as an agent for the insurer.

However, we need to establish guidelines to determine at what stage and for what activities the insurance intermediary acts on behalf of the insurer or on behalf of their client.

C3a Agent of the client (insured)

The intermediary is an agent of their client (i.e. the client is their principal) when they:

- Give general advice to the client about the cover they require and the market to place their business
- Help the client to complete a proposal form (or add information to the form on their behalf)
- Give the client advice about how to formulate their claim.



Just think

If an intermediary is in a rush and adds information to a proposal form in error, on whose behalf is the intermediary acting?

The answer is 'the client'. Only in very restricted circumstances would the insurer be considered the principal.

C3b Agent of the insurer

The intermediary is an agent of the insurer (i.e. the insurer is their principal) when they:

- Have express authority from the insurer to receive and handle proposal forms
- Handle the forms according to a previous course of business with the insurer and within an implied authority that has arisen
- Act without express authority and the insurer either subsequently ratifies this action or has ratified such actions in the past
- Collect a premium for an accepted proposal or renewal of an existing policy, in which case the premium is treated as having been paid to the insurer
- Have express authority to handle claims
- Have express authority from the insurer under the terms of a **delegated authority scheme**.

The implication is that, when placing any insurance, the intermediary (except in the case of a tied intermediary) may act on behalf of both parties. It is important to apply the rules given here to establish which of the parties, insurer or client (insured), is the principal at any point in the transaction.

It is important to note that an insurer is responsible for any act or omission by a tied insurance intermediary regarding the contract of insurance, as if they were an employee of the insurer.



delegated authority scheme

written agreement between an insurer and intermediary to allow the intermediary (closely supervised by the insurer) to act as the insurer's agent in the context of a scheme arrangement, allowing the intermediary to undertake specified limited functions



Quick question 4

When an insurer delegates authority to an intermediary, the intermediary is the agent for whom?



Just think

You will soon be introduced to Mark and Sarah (consumers) and Shay (their broker at AllGood Insurance Brokers) and will follow their journey through the insurance process in Chapters 4 to 7. How do you think Shay's principal might change throughout the insurance process?

Shay will often act as an agent for his clients (Mark and Sarah), when helping them complete proposal forms or when assessing their insurance needs.

However, when he collects a premium for a motor insurance renewal, he does this as an agent of the insurer.

Shay's dual responsibilities highlight the importance of understanding the shifting nature of agency in insurance and the importance of meeting minimum competency and Fitness and Probity requirements when undertaking the role of agent.



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

D Summary

This chapter examined the authorisation and supervision of insurers, reinsurers and intermediaries. We also considered the unique legal and regulatory environment within which private health insurance operates. The chapter introduced the law of agency and how it impacts the behaviour and duties of insurance intermediaries in the market.

These are complex areas and it can sometimes be difficult to see how it relates to your everyday work environment. However, this simply sets the scene for the work you do every day and it is worthwhile to take the time to consider how this material (and the topics covered in Chapter 1) may apply to your work situation or those of your colleagues.

D1 What's next?

In Chapter 3, we consider how the insurance industry uses regulation, legislation, ethics and competency to protect its consumers.

D2 Study tips

It is important to remember that this textbook is the primary information source for this module. All the questions in your exam will relate directly to information featured in the textbook. Use the 'End-of-chapter questions', 'Quick questions' and the 'Sample multiple-choice questions' to quickly test what you've learned so far. Make a note of any topics/areas you need to improve in and keep it to hand so you can refer to it when you revise this chapter again before your exam.

D3 Online learning supports

In addition to the textbook, the Institute's learning platform (which can be accessed via your Member Area on www.iii.ie) has many online learning supports that can help you as you study this module. These include a Guide to Success, microlearning resources and study tips guide. These learning supports are invaluable in reinforcing what you have learned from the textbook so far. The interactive study chapters, chapter-by-chapter key points and other supports will help you to break down the chapter content when revising.

Completing online mock exams and reviewing the personalised feedback that follows is a great way of testing your knowledge and preparing for exam day.



End of chapter questions

Use these questions to test your understanding of what we've covered in Chapter 2.

1. List the main requirements a firm must meet to be authorised as an insurer with its head office in Ireland.

2. Explain the term 'solvency capital requirement'.

3. List the three categories of non-life insurance intermediary regulated by the Central Bank.

4. Define 'insurance distribution'.

5. Explain what a Retail Intermediary Annual Return is based on and the four key areas it covers.

6. Outline the levels of professional indemnity cover an insurance intermediary must hold in Ireland for its insurance distribution activities.

7. The Health Insurance Authority maintains the Register of Health Benefits Undertakings. Identify the two categories of health insurer listed in this register.

8. An agent owes their principal a duty of 'personal performance'. Explain what is meant by this.

9. Identify the main ways in which an agency may be terminated.

10. An insurance intermediary is normally the agent of their client, but in some actions is deemed an agent of the insurer. Outline examples where they are an agent of the insurer.

Answers to end of chapter questions

Check your answers against those below and make a note of any points you left out. This will highlight some sections you may need to look at more closely during your revision.

1. A firm seeking authorisation as an insurer/reinsurer with its head office in Ireland must:
 - Have its head office and registered office in Ireland and be a company registered under the **Companies Act 2014**
 - Submit details of its directors, managers and authorised agents for approval of their fitness and probity
 - Provide detailed information on areas of management responsibilities in the firm's operation
 - Submit a detailed scheme of operations
 - Hold the relevant solvency capital requirement
 - Provide a plan setting out three years' financial estimates for insurance and reinsurance business
 - Submit a forecast balance sheet and estimates for the cover of its underwriting liabilities and solvency capital requirement
 - Hold the required minimum paid-up share capital.
2. 'Solvency capital requirement' represents the level of eligible own funds that Solvency II legislation requires insurers/reinsurers to hold to meet liabilities and absorb significant losses.
3. In the non-life (general) insurance industry, an intermediary regulated by the Central Bank can be:
 - An insurance intermediary
 - An ancillary insurance intermediary
 - A reinsurance intermediary.
4. Insurance distribution refers to the activities of advising on, proposing or carrying out other work in preparation for or conclusion of contracts of insurance, or of assisting in the administration and performance of such contracts.
5. A Retail Intermediary Annual Return is based on the intermediary's financial position at the end of its financial year. The key information areas covered are general, financial, ownership and conduct of business.
6. Intermediaries must hold professional indemnity insurance with a minimum indemnity limit of €1,564,610 per individual claim and €2,315,610 in aggregate for claims arising in any one year (for each authorised activity).
7. The two categories of health insurer listed in the Register of Health Benefits Undertakings are:
 - Open membership undertakings
 - Restricted membership undertakings.

8. The agent must not delegate their duties to someone else unless they are purely administrative tasks. However, if an agent is a firm or company, different employees can perform certain specialist tasks.
9. An agency may be terminated:
 - By mutual agreement between the principal and agent
 - In accordance with the terms of cancellation in the agency agreement
 - On withdrawal by the principal, or revocation by the agent, other than in accordance with agreed terms
 - Automatically on death, bankruptcy or insanity of either party (but in the case of bankruptcy, the agency is only terminated if it prevents the agent from carrying out their duties).
10. The intermediary is an agent of the insurer when they:
 - Have express authority from the insurer to receive and handle proposal forms
 - Handle the forms according to a previous course of business with the insurer and within an implied authority that has arisen
 - Act without express authority and the insurer either subsequently ratifies this action or has ratified such actions in the past
 - Collect a premium for an accepted proposal or renewal of an existing policy, in which case the premium is treated as having been paid to the insurer
 - Have express authority to handle claims
 - Have express authority from the insurer under the terms of a delegated authority scheme.



Answers to Quick questions

1. The principal aim of the **Insurance Distribution Regulations 2018** is to enhance protection for insurance consumers and to support competition between insurance distributors by creating a level playing field.
2. A tied insurance intermediary distributes insurance on behalf of one or more insurers, reinsurers or other intermediaries in relation to products that are not in competition. They can only provide advice about the products of that insurer/reinsurer/intermediary, who also accepts all responsibility for the tied intermediary's actions.
3. The four principles on which the private health insurance market is based are: community rating, open enrolment, lifetime cover and minimum benefits. In terms of pricing, insurers cannot price their products on the basis of the policyholder's age, gender, claims experience or current or prospective health status. They must offer the same product at the same price to everyone who wishes to become a member of their scheme.
4. When an insurer delegates authority to an intermediary, the intermediary is the agent of the insurer.

Sample multiple-choice questions

Note: In your exam you will be awarded +3 marks for every question answered correctly, –1 mark for every question answered incorrectly and 0 marks for every question you choose not to attempt. On the answer form you complete in the exam, you will be required to choose from options A, B, C, D or E. Options A-D correspond with a possible answer to the question, while selecting Option E confirms that you are choosing not to attempt the question. When you attempt the mini-mock and full mock exam papers available on the Institute's online learning platform, this marking system is applied to allow you to prepare for your exam.

1. A firm is applying to the Central Bank for authorisation as an insurance intermediary. As part of the application process, which of the following documents must the firm submit for each of its directors?
- A. An individual questionnaire demonstrating the director's fitness and probity to manage the firm
 - B. A statement confirming the director has an active directors and officers insurance policy in place
 - C. An individual questionnaire demonstrating the director's personal financial assets
 - D. A statement confirming the director will not work for any other firm in the future

Your answer:

☐

2. An Irish insurance intermediary has professional indemnity insurance with an indemnity limit of €1,365,610 in the aggregate for claims arising in any one year. To meet the current minimum regulatory requirement, the intermediary would need to **increase** this cover by:
- A. €100,000
 - B. €350,000
 - C. €600,000
 - D. €950,000

Your answer:

☐

3. The two main rights an agent has in respect of their employment by a principal are the right to:
- A. remuneration and the right to ratification
 - B. remuneration and the right to indemnity
 - C. ratification and the right to expenses
 - D. expenses and the right to indemnity

Your answer:

☐

Answers to sample multiple-choice questions

Question 1

Chapter reference: Chapter 2A2

Question type: U

Correct response: A

Learning outcome: Explain how the Central Bank authorises insurers, reinsurers and intermediaries and describe its main supervisory methods.

Question 2

Chapter reference: Chapter 2B3b

Question type: A

Correct response: D

Learning outcome: Explain how the Central Bank authorises insurers, reinsurers and intermediaries and describe its main supervisory methods.

Question 3

Chapter reference: Chapter 2C1

Question type: K

Correct response: B

Learning outcome: Explain how agency operates in insurance.

How does the insurance industry protect its consumers?

What to expect in this chapter

This chapter explores:

- The Central Bank's overriding focus on consumer protection
- The role played by ethical behaviour, accountability and competence in consumer protection in the insurance market.

Insurance requires trust between all parties involved. This trust is built on relationships, good ethical practice and a focus on consumer protection. While this chapter introduces and explores these areas, Chapters 4 to 7 will focus on how the specific rules and requirements of the Central Bank impact on each stage of the insurance process.

Remember in Chapter 1, we said that everyone needs to know about compliance, because compliance is everyone's responsibility? This will become very clear to you as you study this chapter. In your role, you will be meeting, advising and protecting consumers every day. So, when this chapter refers to honesty, integrity, trust and competence, it is referring to you and to how you exhibit these qualities and behaviours in your work.

Learning outcomes for this chapter

Section	Title	At the end of each section you should be able to:
A	Why is consumer protection important in insurance?	Explain and demonstrate the impact of legislation and regulation concerned directly and indirectly with consumer protection.
B	What role does ethics play in protecting insurance consumers?	Explain and demonstrate the role of ethics, accountability and competence in protecting insurance consumers.
C	What is the impact of the Individual Accountability Framework?	
D	What is the role of fitness and probity in consumer protection?	

A

Why is consumer protection important in insurance?

The insurance industry is built on trust.

Insurance is an **intangible product**. It is essentially a promise made by an insurer to indemnify the insured at some future date on the occurrence of a certain event. The Central Bank works hard to protect **consumers**, because individuals and small businesses trust in and rely on the advice given by insurers and advisers. In an insurance transaction, consumers are at a disadvantage in terms of expertise, competence and knowledge.

Extract 3.1 highlights the risks consumers need to be protected from.

3.1

Extract Central Bank of Ireland, *Regulatory and Supervisory Outlook Report 2025*

To guide the firms we regulate, we structured our expectations of firms under what we saw as the five primary drivers of risk for consumers of financial services in Ireland today across all the sectors we regulate:

- Poor business practices and weak business processes
- Ineffective disclosures to consumers
- The changing operational landscape
- Technology-driven risks to consumer protection
- The impact of shifting business models.³⁴

These are the things we see as the primary drivers of risk for consumers of financial services in Ireland today, looking across all the types of financial service we use in our daily lives and all the types of firms that can provide those services. In other words, these are the fundamental themes we see running through the consumer protection issues we encounter as supervisors of regulated financial service providers.



intangible product

a good or service that does not have a physical form, meaning that it cannot be seen, touched or held

consumer

a customer that is:

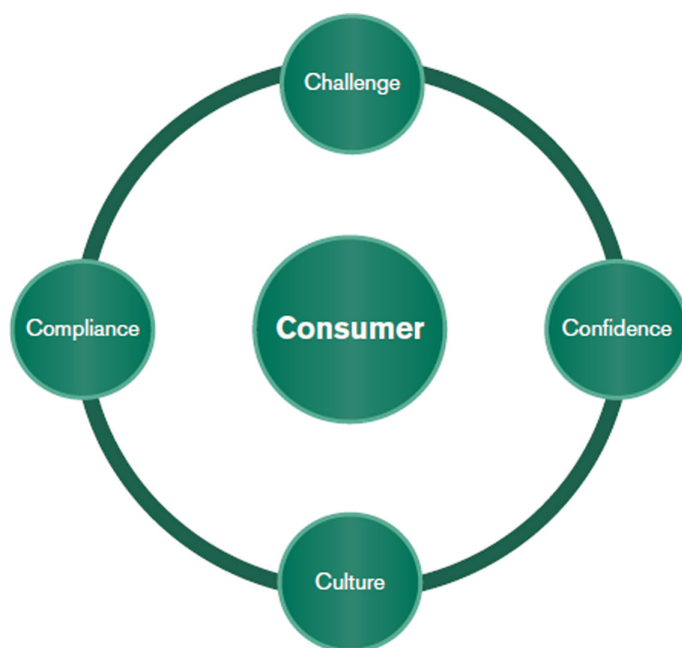
- a natural person
- a group of natural persons including a partnership, club, charity, trust or other unincorporated body
- an incorporated body that:
 - does not have an annual turnover in excess of €5 million in the previous financial year
 - is not a member of a group of companies with a combined turnover of more than €5 million

³⁴ Central Bank of Ireland, 2025. *Regulatory and Supervisory Outlook Report*, February, p.31, www.centralbank.ie (quoting the Central Bank of Ireland, *Consumer Protection Outlook Report 2023*, pp.5–6).

The Central Bank Consumer Protection Framework (as illustrated in Figure 3.1):

puts the **Consumer** at its centre, where the focus of firms must be on delivering positive consumer outcomes within a regulatory framework that is fit for purpose. This can only be achieved where firms have a consumer-focused **Culture** which enables consumers to have **Confidence** in both the financial decisions they are making and the firms they are dealing with. The Central Bank will continue to **Challenge** firms, where their focus is not on those consumer outcomes. This includes our gatekeeper role, where applicant firms can expect rigorous and challenging application of the published requirements and standards (including those derived from EU law). There is a need and appetite for appropriate regulatory action where **Compliance** standards are not being met.³⁵

Figure 3.1 Central Bank Consumer Protection Framework



Example 3.1 illustrates how the Central Bank used its regulatory powers to address the unfair practice of **price walking**.



price walking

where customers are charged higher premiums relative to the expected costs, the longer they remain with an insurer

³⁵ Central Bank of Ireland, *Consumer Protection Outlook Report 2016*, p.6, www.centralbank.ie.



Example 3.1

The Central Bank's *Review of **Differential Pricing** in the Private Car and Home Insurance Markets (Final Report and Public Consultation) 2021* concluded that price walking could result in unfair outcomes for some consumers in the private car and home insurance markets. It was noted that practices such as this erode trust in the insurance industry.³⁶

Arising out of this review, the Central Bank introduced:

- A ban on price walking
- A requirement for firms to conduct an annual review of pricing policies and practices
- A requirement for firms to ensure that the automatic policy renewal process is consistent and transparent.³⁷

The Central Bank Consumer Protection Code (CPC 2025) is the cornerstone of its consumer protection framework. Aside from the CPC 2025, insurers and intermediaries must also comply with other legislation that affects their consumer interactions, such as the **Consumer Insurance Contracts Act 2019**.

A1 Consumer protection

The CPC 2025 aims to protect consumers by:

- Clearly outlining a firm's consumer protection obligations
- Ensuring consumers are informed effectively and obtain the financial products best suited to them
- Ensuring greater transparency
- Reflecting how financial services are provided in a digital world.

The CPC 2025 encompasses the **Standards for Business Regulations 2025** (Standards for Business) and the **Consumer Protection Regulations 2025**.

The Standards for Business (as listed in Extract 3.2) set out governance, resource and risk management requirements and conduct standards for firms. These Standards (apart from those relating to securing customers' interests and countering the risk of financial abuse) apply to a firm's dealings (i.e. the provision of services and advice) with all its customers, not just to 'consumers' as defined by the Central Bank.³⁸



differential pricing

where customers with a similar risk and cost of service are charged different premiums for reasons other than the risk and cost of service



Quick question 1

Why does the Central Bank work so hard to protect consumers?

The answer is at the end of this chapter.

³⁶ Central Bank of Ireland, 2021. *Review of Differential Pricing in the Private Car and Home Insurance Markets (Final Report and Public Consultation)*, p.27, July 2021, www.centralbank.ie.

³⁷ **Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Insurance Requirement) Regulations 2022**.

³⁸ Regulation 4, **Standards for Business Regulations 2025**.

**regulated entity/firm**

a financial service provider authorised, regulated or supervised by the Central Bank or other EU or EEA member state, that is providing regulated activities in the State

**Quick question 2**

With regard to the CPC 2025's Standards for Business, what does the Central Bank require of firms in terms of the firm's systems?

**personal data**

data relating to a living individual, who can be identified from this data

data subject

a living individual who is the subject of personal data

3.2

Extract CPC 2025 Standards for Business

A **regulated entity** shall at all times:

- a. Secure its customers' interests
- b. Act with honesty and integrity
- c. Act with due skill, care and diligence
- d. Act in the best interests of customers and treat them fairly and professionally
- e. Ensure that all information it provides to customers is presented in a way that informs the customer effectively
- f. Control and manage its affairs and systems to counter the risks of financial abuse to customers to whom the regulated entity is providing financial services within the scope of its regulated activities
- g. Control and manage its affairs and systems (including risk management systems, internal control mechanisms and governance arrangements) sustainably, responsibly and in a sound and prudent manner
- h. Maintain adequate financial resources
- i. Engage and cooperate with the [Central] Bank and comparable competent authorities in good faith and without delay.

These Standards for Business are the basis for the specific rules in the **Consumer Protection Regulations 2025**. These Regulations will have the greatest impact on how you do your job every day.

A2 Data protection

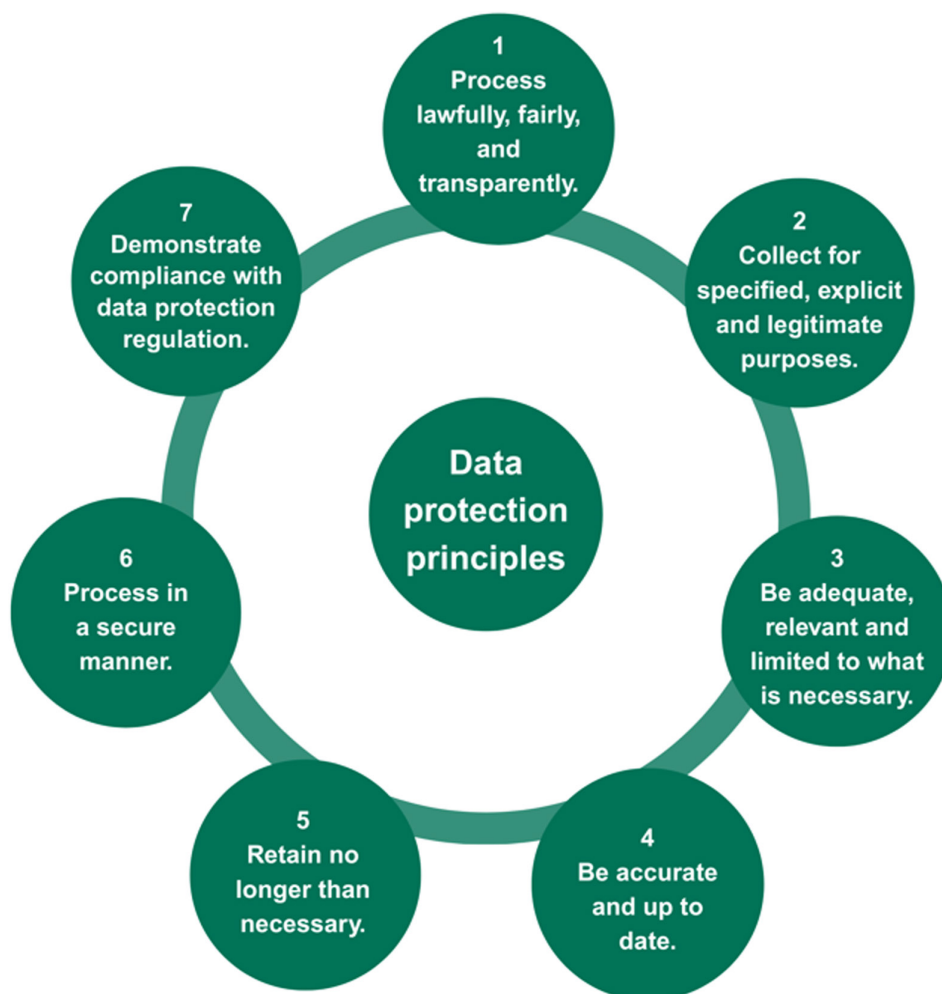
Data protection relates to everyone's right to the privacy of their **personal data**. In insurance, this means safeguarding the security and confidentiality of personal information that individuals (**data subjects**) provide. So, when the remaining chapters of this textbook outline how you should apply the **EU General Data Protection Regulation 2016** (GDPR) and the Irish **Data Protection Acts 1988–2018** (Data Protection Acts), they are telling you how to protect consumers and their privacy.

A2a What are the data protection principles?

The GDPR's data protection principles aim to ensure that personal data is processed in a way that respects the rights and freedoms of individuals, particularly their right to privacy. These principles (Figure 3.2) form the foundation of GDPR compliance and act as a guide to how firms and advisers should handle personal data.³⁹

³⁹ Adapted from Article 5, **General Data Protection Regulation 2016**.

Figure 3.2 Data protection principles



The application of these data protection principles in the context of the advising process is demonstrated in Chapters 4 to 7 of this textbook.

A2b What is the scope of this legislation?

The GDPR is concerned with **data processing** undertaken by organisations established in the EU, as well as those non-EU organisations that offer goods or services to EU residents or monitor the behaviour of individuals in the EU.

A **data controller** that wishes to appoint a **data processor** (e.g. where a third party, such as an external payroll provider, processes personal data) must use only those who agree to comply with the GDPR. The controller must appoint the processor in the form of a binding written agreement.

The Irish **Data Protection Commission** (DPC) can issue fines of up to €20 million (or 4% of annual global turnover, whichever is greater) for breaches of the GDPR (as in Example 3.2).



data processing

any operation or set of operations performed on personal data or sets of personal data (whether or not by automated means), such as collection, recording, organisation, structuring, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission or dissemination, restriction, erasure or destruction

data controller

a natural or legal person who controls, and is responsible for, the keeping and use of personal information on a computer or in structured manual files

data processor

a natural or legal person, public authority, agency or any other body that processes personal data on behalf of the data controller

Data Protection Commission

commission responsible for monitoring and enforcing the **General Data Protection Regulation 2016** and the **Data Protection Acts 1988–2018** in Ireland



Example 3.2

In January 2023, the Irish DPC fined Meta Ireland €210 million for breaches of the GDPR relating to its Facebook service and €180 million for breaches in relation to its Instagram service. Meta Ireland was also directed to bring its data processing operations into compliance within a period of 3 months.⁴⁰

The DPC has also fined private investigators employed by insurers in the past, as illustrated in Case study 3.1.

Case study 3.1

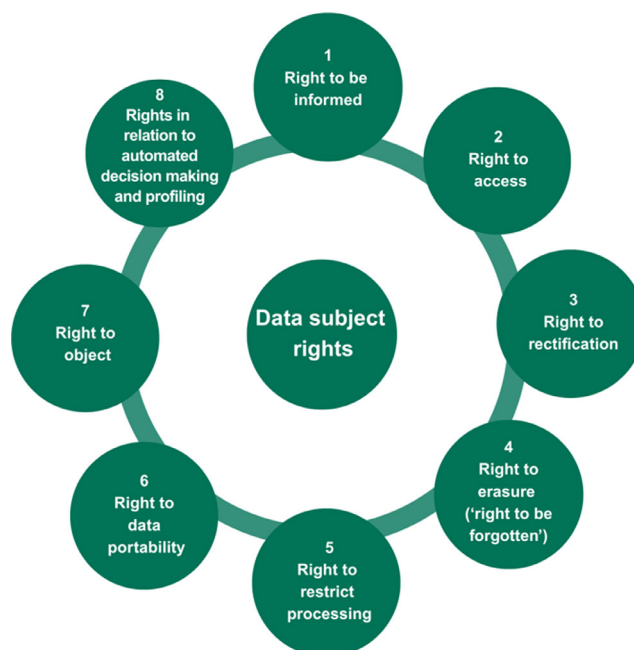
Private investigator fined for breaches of data protection legislation

In June 2016, a private investigator was convicted for breaches of the Irish Data Protection Acts relating to 'obtaining access to personal data without the prior authority of the data controller by whom the data was kept and disclosing that data to another person'. Insurance companies (including Zurich and Allianz) and the State Claims Agency had used the private investigator's services to carry out surveillance on potential fraudulent claimants in personal injury cases. The defendant was fined €4,000.⁴¹

A2c What protections are given under this legislation?

Under data protection legislation, data subjects are granted rights that give them greater control over their personal data. These rights are outlined in Figure 3.3.⁴²

Figure 3.3 Rights of a data subject under the GDPR



⁴⁰ Data Protection Commission, 2023. 'Data Protection Commission announces conclusion of two inquiries into Meta Ireland, 4 January, www.dataprotection.ie.

⁴¹ Data Protection Commission, 'Office of the Data Protection Commissioner Welcomes Another Successful Prosecution of a Private Investigator', press release, www.dataprotection.ie.

⁴² Adapted from Information Commissioner's Office (UK). (For organisations – Guide to the General Data Protection Regulation (GDPR), A guide to individual rights, <https://ico.org.uk>.

A3 Financial crime

A3a What is financial crime?

'Financial crime' covers a wide range of activities including money laundering and terrorist financing.

Money laundering includes all forms of handling or possessing of funds that are known or believed to represent the proceeds of criminal conduct. In **terrorist financing**, the source of the funds is irrelevant (i.e. the funds may or may not be the proceeds of criminal conduct) as the key consideration is the intended use or destination of the funds (as opposed to their origin).

The **Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010–2021** (CJA 2010–2021) form the cornerstone of Ireland's legal framework for anti-money laundering (AML) and countering the financing of terrorism (CFT).⁴³

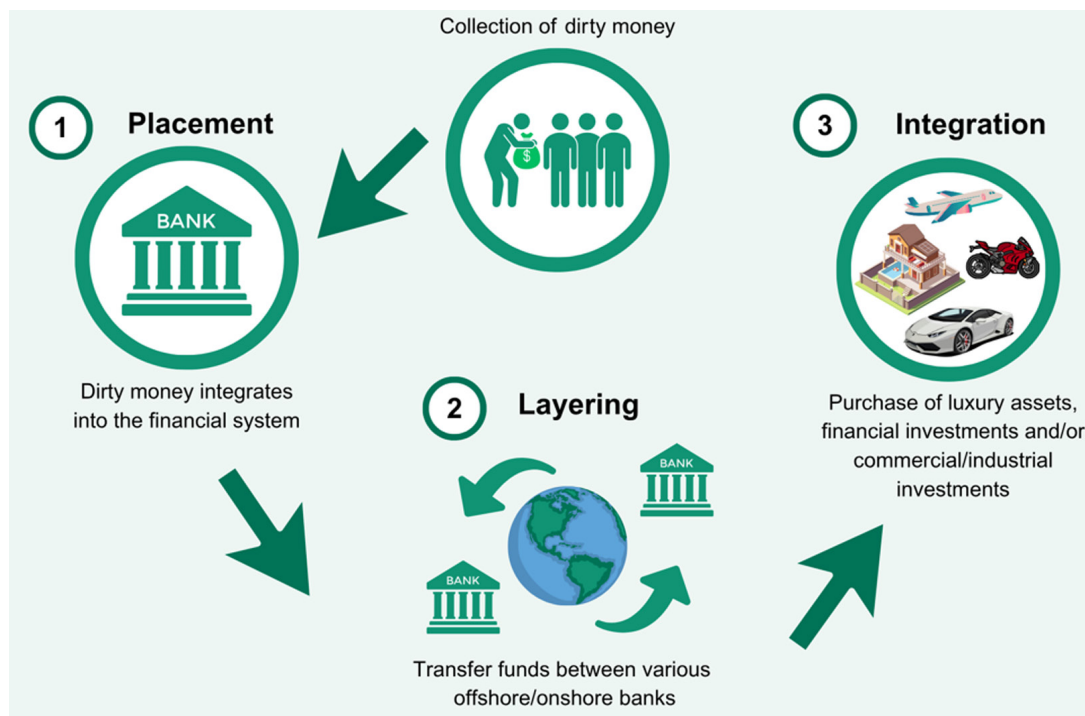


A3b How does financial crime occur in insurance?

The three stages in the money-laundering process (as outlined in Figure 3.4) are:

1. Placement
2. Layering
3. Integration.

Figure 3.4 Typical money-laundering scheme



financial crime

a wide term embracing money laundering, proceeds of crime, fraud, bribery and corruption

money laundering

process by which criminals and terrorists convert money that has been obtained illegally into apparently legitimate funds

terrorist financing

the provision, collection or receipt of funds with the intent or knowledge that they will be used for the benefit of a terrorist group or to carry out an act of terrorism or any act intended to cause death or serious bodily injury

placement

placing the proceeds of criminal conduct into the financial system

layering

concealing money's criminal origins by creating a series of complex transactions that are untraceable during the audit process, thus disrupting the audit trail

integration

legitimising the proceeds of criminal conduct, which have now been fully laundered and reintroduced into the economy

⁴³ CJA 2010–2021 is the collective term for the **Criminal Justice (Money Laundering and Terrorist Financing) Act 2010** and its various amendments undertaken to transpose the European Anti-Money Laundering Directives and to align the legislation with the recommendations of the Financial Action Task Force.

Money laundering is particularly relevant to the financial services sector. Firms are obliged to implement internal policies, controls and procedures to prevent and detect any attempt to launder money or finance terrorism. This includes training staff to identify suspicious transactions that might indicate such activity and to know what to do in these circumstances. (Chapter 6B4 provides examples of how money laundering might take place in the non-life insurance sector and what you can do to prevent it.)



Microlearning resources

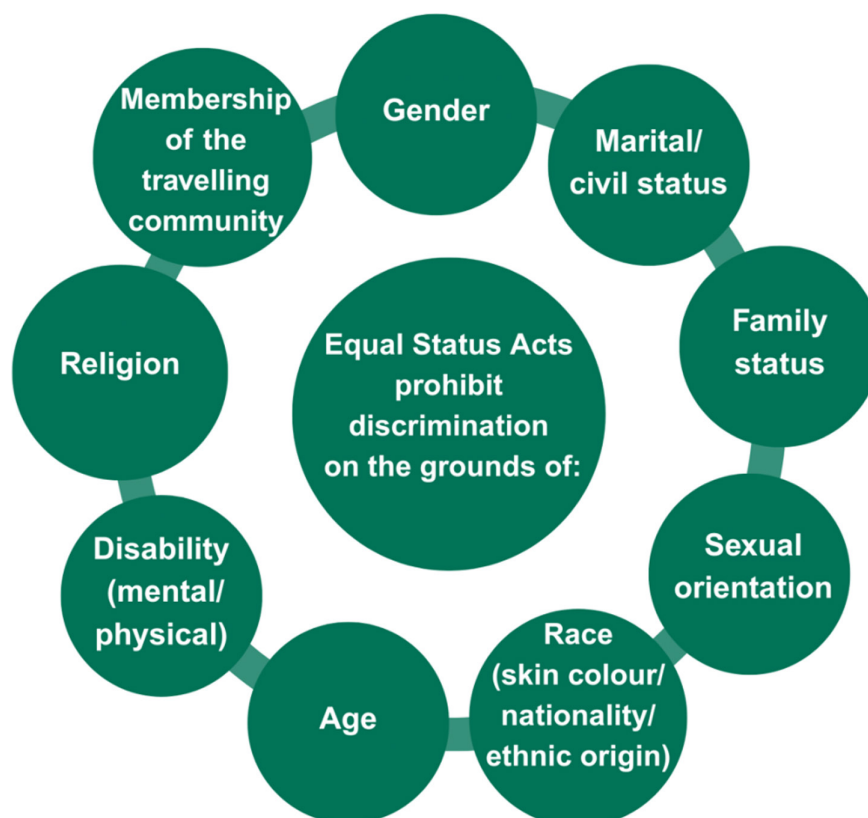
In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

A4 Equality legislation

The **Disability Act 2005** prohibits the processing of genetic (family) data in relation to a policy of insurance (including life assurance and health insurance policies).

The **Equal Status Acts 2000–2015** are designed to protect individuals against discrimination in the provision of goods and services, accommodation and education. They encourage the evaluation of people on their merits as individuals rather than their identity as part of a group. Figure 3.5 outlines the grounds on which these Acts specifically prohibit discrimination.

Figure 3.5 Equal Status Acts – prohibition of discrimination



The Equal Status Acts allow insurers to treat customers differently if this can be justified by actuarial or statistical data. This means that an insurer can refuse insurance or price it differently if it has the data to support this differentiation. Since the 2011 *Test-Achats* judgment, this exception does not apply in the case of gender and therefore, an insurer is not permitted to use a customer's gender as a risk factor when pricing motor insurance. The judgment applies to both pricing and benefits. Insurers can still offer products that target customers based on their gender (e.g. a 'lady drive' policy), provided the product is available to both male and female consumers and is gender neutral in its pricing and benefits.

Example 3.3 shows how these Acts impact on insurance.⁴⁴

⁴⁴ Irish Human Rights and Equality Commission, *Equal Status Acts (ESA) – Provision of Insurance*, www.ihrec.ie.



Example 3.3

Motor insurance: Older driver with a no-claims bonus has a right to renew

An insurer refused to renew the policy of an 80-year-old driver with a 6-year no claims bonus, but accepted an application from the person's neighbour – a 30-year-old with the same no claims bonus. The pensioner made a complaint on the grounds of age discrimination and was successful.

Motor insurance: Blanket policies are not enough

A motor insurer refused to give a quote to a 77-year-old driver, in line with its policy of not taking on new customers aged over 70. The driver said this was age discrimination. The insurer justified its policy because statistics showed older drivers had more accidents than younger drivers. The Equality Officer acknowledged the statistics but said they did not justify a blanket policy of rejecting applicants over 70, as the insurer should also account for factors such as driver health and no claims bonus. They also noted that the insurer had signed up to the Declined Cases Agreement, which states that 'No Insurer shall decline a risk on the grounds of age of driver alone'.

Travel insurance: Premiums may rise with age

Two cruise passengers in their 80s complained that their insurer was offering a policy that did not cover their pre-existing health conditions and was six times more expensive than one they had bought for a similar cruise two years earlier. They held that this amounted to discrimination on the grounds of age and disability. They argued that the insurer should have accounted for their excellent general health and should not have identified them as health risks just because they were over 80. The insurer provided actuarial evidence showing that higher premiums were justified for older customers as they were at higher risk of falling ill and claiming compensation for it. The Adjudication Officer agreed that the insurer's terms and premiums were justified as they were based on sound statistics.



Quick question 3

Outline how the *Test-Achats* case impacted on insurance.

B

What role does ethics play in protecting insurance consumers?

Section A and much of this textbook focus on regulation and legislation. However, compliance with regulation alone is not enough, because regulation cannot foresee every situation that might arise and can often lag behind business practice, developments and innovations.

Ethical behaviour by those working in insurance, particularly at leadership level, is critical to the delivery of the insurance promise and to the stability and integrity of the insurance market. While increased regulation in the insurance market has narrowed the gap between what is legal (which you must observe) and what is ethical (which you should follow), regulation and **ethics** still go hand in hand.



B1 Ethical behaviour

In a business context, ethics is concerned with ‘doing the right thing’. Table 3.1 outlines the benefits and consequences of good and poor ethical practices.

Table 3.1 Benefits and consequences of good and poor ethical practices	
Good ethical practice within a firm delivers many benefits that:	Poor ethical practice leads to undesirable consequences such as:
Ensure a job is done properly and to the highest standard every time, which minimises damage-control costs over the long term.	The cost of doing business increases. It is always more cost-effective to do the job properly the first time round, rather than having to redo it and rebuild the relationship with the customer.
Maintain the firm’s good reputation in the market.	The quality of decision-making declines. This creates knock-on effects such as lowering the quality of the firm’s culture and staff morale.
Reduce the number of complaints and the resources needed to investigate them.	The fairness of the market is compromised. The discovery of a firm’s poor ethical practices creates negative publicity, both for the firm and for the industry.
Demonstrate compliance with regulatory and statutory responsibilities.	Litigation increases. Reputations are vitally important and any litigation will have a negative effect on the firm.
Ensure the ongoing trust of customers, employees and investors.	Erosion of trust occurs between parties. This can create distrust in the sector and in the financial system as a whole.

ethical behaviour

acting fairly and honestly, ensuring that the interests of the consumer always take priority over the interests of the adviser or firm

ethics

the practical analysis of objective standards of right and wrong (also known as ‘moral philosophy’)

If in doubt, an ethical reasoning framework (Figure 3.6) can be a useful point of reference.

Figure 3.6 Ethical reasoning framework



ETHICAL REASONING FRAMEWORK

- ☐ Are my actions legal?
- ☐ Are my actions consistent with the firm's policies and procedures?
- ☐ Are my actions consistent with relevant regulatory requirements and standards?
- ☐ Are my actions consistent with my values?
- ☐ Am I convinced that this is the right thing to do?
- ☐ Am I being honest and transparent with the customer, my employer and others?
- ☐ Do I have all required information from all relevant sources?
- ☐ Will anyone's reputation, health, safety, etc. be harmed by my actions?
- ☐ Will my actions stand the test of time?
- ☐ Will I sleep easy if I take this action?
- ☐ What would happen if I was caught?
- ☐ How would my actions look if they appeared in the media?
- ☐ Will my actions benefit or harm my career?

It is important to remember that the obligation to behave ethically is both an organisational and individual responsibility. This ethical principle of 'doing the right thing' can be tested in practice. Look at the ethical scenario in Example 3.4 and assess what the 'right thing to do' would be in your view.



Example 3.4

You are an adviser in a firm of insurance brokers. You have recently negotiated what the client believes was a very good deal with an insurer regarding a claim under their motor policy. The client now wants to obtain commercial property insurance through your firm.

As you have the trust of your client, they no doubt assume you will recommend an insurance proposition that represents the best value available in the market for the cover required.

However, there are so many other pressures on your time that you hope to place the business quickly. You approach a perfectly sound insurer and obtain a quote. You advise the client that the quote is based on only a **limited analysis of the market**, with only one insurer. Rightly or wrongly, the client believes you would have approached more insurers to obtain a **fair and personal analysis of the market** if you had thought it appropriate.

You have complied with the letter of what is required. You have not claimed a fair and personal analysis of the market. You have not been swayed by higher commission earnings. From an ethical perspective, was this the right thing to do?

It would be easy to say that this scenario should never materialise in the first place and that a fair and personal analysis should have been undertaken from the beginning. It is also true to say that the firm's systems and procedures should have automatically prevented staff from resorting to this behaviour in response to work pressures.

Nothing stated to the client is technically incorrect but the right thing to do now is to:

- Admit your mistake and rectify it if possible
- Put things right as far as possible, by checking the market to see whether a more suitable option is available.

For an ethical culture to operate effectively within a firm, it must be a culture in which staff feel free to speak up when pressures mount to the point that they need help to do a fully competent job. Also, when mistakes occur, the culture should allow mistakes to be admitted and dealt with in a positive way.

B1a Conflicts of interest

Given that insurance operates on the basis of **fiduciary relationships**, which require trust, confidentiality and responsibility, it could be said that the basis for the practice of insurance has always been ethically sound. However, it would be naïve to assume there are no challenges to an ethical approach. Market pressures can sometimes tempt an adviser or insurer to act in a way that conflicts with their ethical and regulatory duties towards a consumer. Such situations are referred to as '**conflicts of interest**'.

Table 3.2 shows some examples of conflicts of interest.



limited analysis of the market

providing services on the basis of a limited number of contracts and insurers (product producers) available on the market (CPC 2025)

fair and personal analysis (of the market)

advice given on the basis of an analysis of a sufficiently large number of contracts available on the market, to enable the intermediary to make a recommendation, in accordance with professional criteria, as to which insurance contract adequately meets the customer's needs (IDR 2018)

fiduciary relationship

a relationship recognised by the law as being based on trust and responsibility, which in the insurance context means that legal duties and obligations are placed on the agent for having undertaken to perform certain activities on behalf of the principal

conflict of interest

a situation or circumstance that might lead a firm/individual to take a course of action that is not necessarily in the best interest of their client, but favours the firm/individual



Quick question 4

Outline what is meant by the term ‘limited analysis of the market’.



information barrier

an arrangement within a firm (or with an associate of the firm) that requires information to be withheld and segregated in certain circumstances to preserve the confidentiality of the information and avoid a potential conflict of interests

Table 3.2 Examples of conflicts of interest	
Description	Potential conflicts
An adviser has authority to settle claims on behalf of an insurer under a scheme arrangement.	Where the adviser has a profit-share arrangement, they might encourage the client to accept less than the full claim value for the sake of a speedy settlement, e.g. if the client is struggling financially.
The adviser operates a delegated authority scheme.	As such arrangements add to the adviser's earnings, there is less incentive to offer a product that is not in the scheme. Consequently, the adviser may be unwilling to properly research the market to offer their client the best deal.
Commissions and earning levels vary between insurers.	There is a temptation to only market to insurers that provide higher commissions/earnings.
An adviser has a friend or family member working in an insurance firm.	Instead of offering the most suitable product to the client, there could be a temptation to place the business with the friend/family member so that, as well as the adviser earning commission, the friend/family member will earn a new business bonus too.

The CPC 2025 states that a firm shall ‘act with honesty and integrity’ at all times in its dealings with customers.⁴⁵ To support this, a firm must have in place a conflicts of interest policy appropriate to the nature, scale and complexity of the firm’s activities. This policy will identify circumstances that may give rise to a conflict of interest with a consumer and outline the procedures to be followed to manage such conflicts.⁴⁶

Conflicts of interest can arise at any stage of the insurance process. This is why it is vital that all relevant employees within a firm are familiar with the firm’s conflict of interest policy and its procedures. Where there is potential for conflict of interest between different employees or different business areas of the firm, the CPC 2025 requires that firms put in place effective **information barriers** between different employees and business areas.⁴⁷

If a conflict cannot reasonably be avoided, the nature of the conflict should be disclosed to the consumer, who must then acknowledge in writing that they wish to proceed. The firm must also ensure that the conflict does not result in damage to the consumer’s interests.⁴⁸ (Chapter 4C3d examines the CPC 2025 requirements specifically in relation to conflicts of interest and remuneration.)

Appendix 1 at the end of this chapter shows a sample conflicts of interest policy.

⁴⁵ Regulation 4, **Standards for Business Regulations 2025**.
⁴⁶ Regulation 22, **Consumer Protection Regulations 2025** (CPR 2025).
⁴⁷ Regulation 28, CPR 2025.
⁴⁸ Regulation 24, CPR 2025.

C

What is the impact of the Individual Accountability Framework?

Nationally and internationally, there is an increased focus on strengthening organisational culture, driving positive ethical behaviour and increasing individual accountability.

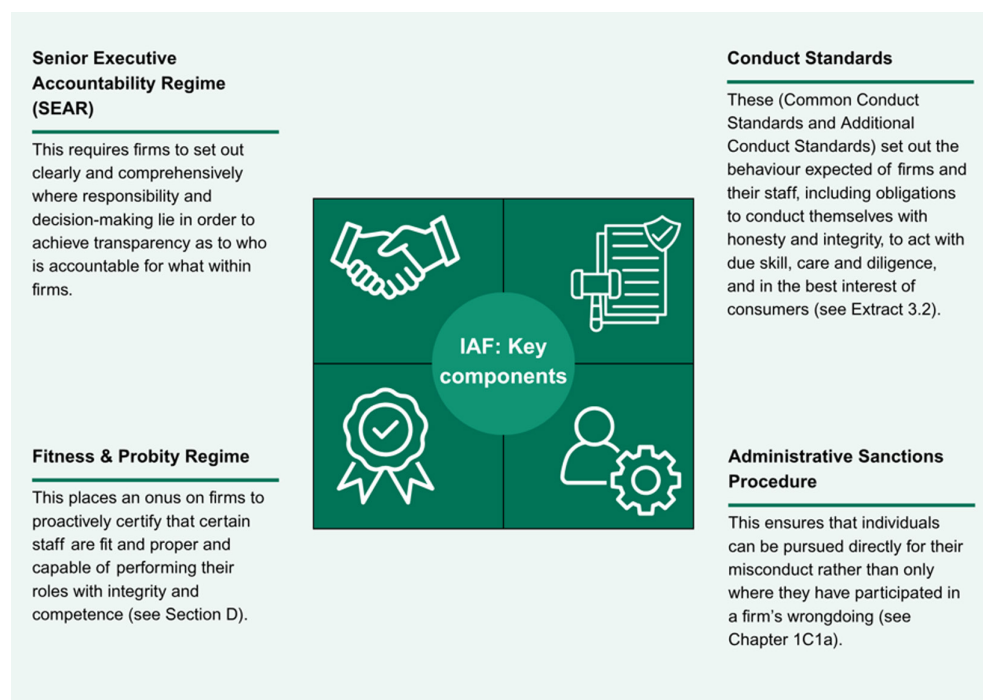
In 2024, the Central Bank noted:

Regulated firms ... must be overseen and managed by fit and proper persons with clear responsibilities and accountabilities. Firms and the individuals working in them, must adhere to appropriate standards of conduct.⁴⁹

The **Central Bank (Individual Accountability Framework) Act 2023** (IAF) was designed to improve governance, performance and accountability in financial services by embedding a culture of individual responsibility. It also strengthens the Central Bank's enforcement toolkit, particularly in more effectively holding individuals to account, who fall below the expected standards.

Figure 3.7 illustrates the key components of the IAF.⁵⁰

Figure 3.7 Key components of the IAF



⁴⁹ Central Bank of Ireland, 2024. Consultation Paper on the Consumer Protection Code, March, p.13, www.centralbank.ie.

⁵⁰ The Common Conduct Standards apply to all individuals performing controlled functions (CFs). The Additional Conduct Standards only apply to individuals in pre-approval controlled functions (PCFs) and those with significant influence.



controlled function

designated role for which the Central Bank requires regulated firms to identify and maintain a record of:

- those persons performing CFs from the date of application of the Fitness and Probity Standards
- due diligence undertaken in respect of those persons

pre-approval controlled function

a designated role (mainly to do with executive or senior management, heading up significant functional areas or implementing regulation), whereby the Central Bank must approve the person for the function before they are appointed to the job

D What is the role of fitness and probity in consumer protection?

The Central Bank Director of Enforcement and Anti-Money Laundering, Seána Cunningham, said:

The F&P [Fitness and Probity] regime is central to the Central Bank's role as a gatekeeper for the financial system and in ensuring that we can assess whether the most senior people working in the financial services industry are competent and capable, honest, ethical and of integrity and also financially sound. This is a critical element of protecting consumers and investors and ensuring that there is public trust and confidence in the financial system.⁵¹

D1 What does 'fitness' and 'probity' mean and why are they important?

'Fitness' means that a person is competent and capable of performing their duties. The Central Bank states that 'a person shall have the qualifications, experience, competence and capacity appropriate to the relevant function'.⁵²

'Probity' means proper and refers to a person's honesty, fairness and ethical attitude, based on past behaviour. A person performing a **controlled function** (CF) or a **pre-approval controlled function** (PCF) must be honest, diligent and independent-minded. They must act ethically and with integrity, without being affected by conflicts of interest.

Essentially, a person performing CFs or PCFs must be:

- Competent and capable
- Honest, ethical and act with integrity
- Financially sound.



Just think

In what circumstances might an individual be deemed 'not a person of probity'?

Dishonest, unethical, incompetent or criminal behaviour indicates that a person may not be suitable to perform such a function (as in Case study 3.2).

⁵¹ Central Bank of Ireland (News & Media – Press releases), 2022. 'Insure4Less Teoranta t/a Kerry Insurance Group reprimanded and fined €8,400 by the Central Bank of Ireland for breaches of fitness and probity pre-approval requirements', 4 March, www.centralbank.ie.

⁵² Central Bank of Ireland, 2014. *Fitness and Probity Standards (Code issued under Section 50 of the Central Bank Reform Act 2010)*, Section 3.1, www.centralbank.ie.

Case study 3.2

Fitness and probity breach

In 2024, the Central Bank undertook an F&P investigation into an employee at an insurance brokerage in Dublin. The investigation examined matters including the unauthorised creation and modification of insurance documentation.

Following the investigation, the employee was prohibited from carrying out any controlled functions, including pre-approval controlled functions, in any regulated financial service provider for an indefinite period.

In reference to the investigation, Seána Cunningham said:

Persons performing controlled functions must act in accordance with the applicable standards of fitness and probity. Where an individual is suspected to have failed to meet these standards, the Central Bank may use its statutory powers to investigate. If warranted, the Central Bank will prohibit an individual from performing controlled functions in order to uphold public trust and confidence in the financial system and protect users of financial services.⁵³

If F&P Standards are not met, the Central Bank can:

- Approve or refuse the appointment of people to positions where they have a significant influence on the operation of the firm
- Investigate and, where appropriate, remove or prohibit holders of certain positions.

Firms are responsible for ensuring that staff meet the requirements of the F&P Standards, both when entering the financial services industry and throughout their careers. Employers must carry out **due diligence** to ensure the standards are met. The due diligence process involves gathering appropriate documentation, supported by clear internal assessment criteria and governance. Due diligence is higher for PCFs than for CFs.

Where a firm is satisfied that an individual performing (or proposing to perform) a CF complies with F&P Standards, it issues a Certificate of Compliance confirming this. The certificate is valid for 12 months from the date of issue.⁵⁴ While the certificate does not need to be submitted to the Central Bank, the firm must confirm annually to the Central Bank that it has complied with its obligations for all CFs and PCFs.⁵⁵ These records must be maintained and made available to the Central Bank if requested.



due diligence

enquiries undertaken to assess the fitness and probity of an individual

⁵³ Central Bank of Ireland, Prohibition Notices, www.centralbank.ie.

⁵⁴ **Central Bank Reform Act 2010 (Section 21(6)) Regulations 2024** (CBRA 2024).

⁵⁵ Section 21(6), CBRA 2024.



complaint

an expression of grievance or dissatisfaction by a consumer, either orally or in writing, in connection with:

- the provision, or offer of provision, of a product or service to a consumer by a regulated entity
- the failure or refusal of a regulated entity to provide a product or service to a consumer



Quick question 5

Why does the Central Bank have a more demanding regime for PCFs than for CFs?

D1a What roles fall within the categories of 'controlled function' and 'pre-approval controlled function'?

In regulated firms, the following roles are identified as controlled functions:

- Exercising significant influence on the firm's conduct
- Ensuring, controlling or monitoring compliance
- Giving advice to a customer regarding a financial service
- Arranging, or offering to arrange, a financial service
- Assisting a customer in making an insurance/reinsurance claim
- Determining the outcome of an insurance/reinsurance claim
- Acting in the direct management or supervision of those who provide a financial service
- Adjudicating on any **complaint**
- Directing and managing an undertaking or being directly involved in insurance or reinsurance mediation
- Dealing in, or having control over, the property of a customer of the firm
- Dealing in, or with, property on behalf of the firm.⁵⁶

A firm must identify and maintain a record of persons performing CFs, together with a record of due diligence.

PCFs are a subset of CFs. They are typically senior roles that exert significant influence on the conduct of the firm's affairs.⁵⁷ Examples would include: Chief Executive, Chief Financial Officer, Head of Compliance, Head of Claims and Head of Underwriting. 'Pre-approval' means that the Central Bank must approve the person for the function, in writing, before they are appointed to the job. Individuals wishing to carry out PCFs must submit an online Individual Questionnaire to the Central Bank.

D2 Where does minimum competency fit in?

The current minimum competency requirements apply to regulated firms and to persons carrying out controlled functions within those firms and can be found in the:

- **Minimum Competency Code 2017** (MCC 2017) – obligations on individuals (see Section D2a)
- **Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1) Minimum Competency) Regulations 2017** (MCR 2017) – obligations on firms (see Section D2b).

While the F&P Standards focus on personal qualities and characteristics and the minimum competency requirements focus on technical knowledge and expertise, there is an overlap. The minimum competency requirements demand that a person performing a relevant function has obtained the competence and skills appropriate to that function, through experience or training gained in an employment context. The F&P Standards also require that a person demonstrate that they have obtained the competence and skills appropriate to that function (see Section D1).

⁵⁶ Central Bank of Ireland (Regulation – How We Regulate, Fitness & Probity, List of 11 Controlled Functions), www.centralbank.ie.

⁵⁷ Central Bank of Ireland (Regulation – How We Regulate, Fitness & Probity, List of 46 Pre-approval Controlled Functions), www.centralbank.ie.

These minimum competency requirements identify the following activities as controlled functions:

- Providing advice or information to consumers on retail financial products (including personal and commercial insurance policies)
- Arranging or offering to arrange retail financial products for consumers, including changes to insurance cover and restructuring or rescheduling loans
- Undertaking certain specified functions (Extract 3.3).

3.3**Extract** Minimum competency specified functions

Under these minimum competency requirements, specified functions include:

1. Assisting consumers in making a claim
2. Determining the outcome of consumer claims
3. Direct involvement in reinsurance distribution
4. Direct management or supervision of those who provide advice or information to consumers on retail financial products, or who carry out claims functions 1 or 2
5. Adjudicating (i.e. deciding on) complaints about advice/information-related or claims-related matters
6. Direct involvement in the design of retail financial products.⁵⁸

**Just think**

Would the provision of advice or information to consumers fall under these competency requirements?

In Section D1a, we already noted that the minimum competency requirements apply to individuals carrying out a controlled function on behalf of a firm. Providing advice or information to consumers on retail financial products is an example of a controlled function.

⁵⁸ Appendix 2, **Minimum Competency Code 2017**.

**grandfathering**

a mechanism used to recognise the value of experienced existing practitioners, requiring that they had met certain conditions by 31 December 2012 and engage in ongoing continuing professional development

qualified person

a person with one or more recognised qualification(s) that are relevant to the function to be exercised

prescribed script function

a controlled function exercised according to a prescribed script and routine and within a narrow and rigid set of criteria (e.g. a call-centre role)

continuing professional development

attendance at seminars, lectures and conferences and/or certified completion of appropriate e-learning tutorials, workshops or courses that deal with a topic directly related to the competencies set out in the MCC

accredited person

a person who satisfies the Central Bank's minimum competency requirements

Certificate of Competency

document issued to a consumer confirming that the person providing advice meets the minimum competency standards

D2a What are the minimum competency obligations on individuals?⁵⁹

An individual may not carry out a controlled function unless they either:

1. Completed one or more recognised qualification(s) relevant to the function (see Appendix 4 of the MCC 2017 for a list of such qualifications).
2. Are **grandfathered** in respect of the function.
3. Are a new entrant in a firm participating in a training programme (no longer than 4 years) that includes:
 - Initial training – organised by the firm or part of a relevant recognised qualification
 - Direct supervision by a **qualified person** or a grandfathered person
 - Working towards a recognised qualification.
4. Are performing a **prescribed script function** and are excluded from broader MCC requirements.⁶⁰
5. In the case of 1 and 2, are compliant with the **continuing professional development** (CPD) requirement (15 hours per year, including 1 hour of ethics obtained via seminars, lectures or online courses) to ensure that their education and development continue throughout their career.⁶¹

D2b What are the minimum competency obligations on firms?

The main obligations on firms under the MCR 2017 relate to:⁶²

- Supporting those in prescribed script functions
- Maintaining a register of **accredited persons** (as in Example 3.5)
- Training and supervising new entrants
- Ensuring and recording CPD compliance
- Providing **Certificates of Competency**.



⁵⁹ Full details of the MCC requirements are available at: Central Bank of Ireland, *Minimum Competency Code 2017*, www.centralbank.ie.

⁶⁰ Section 1.6, **Minimum Competency Code 2017** (MCC 2017).

⁶¹ Section 1.6, MCC 2017.

⁶² **Minimum Competency Regulations 2017** (MCR 2017): Part 2(6); 2(7); 3; 5; 2(8).



Example 3.5

Molly works in an insurer's legal department where she decides on claims-related complaints. Under MCC 2017, this is a specified function (see Extract 3.3). To comply with the MCC and F&P Standards, Molly must undertake 15 hours CPD annually (including 1 hour of ethics).

For the past two consecutive years, Molly failed to meet her CPD requirement. As a result, the insurer was required to remove her from its register of accredited persons. This means that Molly can no longer perform her usual role as she is not currently considered to be competent under the MCC.

Once Molly completes the required CPD, she can be reinstated on the insurer's register and resume her duties. However, if she continues to not meet the CPD requirement, she risks losing her professional designation (as determined by the awarding body) and, from an F&P perspective, it would call into question her ongoing suitability (in terms of competence, integrity and diligence) to perform a CF or PCF role.



Quick question 6

Why does the MCC adopt such a prescriptive approach to competency levels, including completing a recognised qualification and maintaining it by CPD?



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.



Summary

In this chapter, we considered the nature of consumer protection in the insurance industry. We explored the various legislation and regulations that ensure consumers are protected. The overlap between regulation and ethics was also considered.

Can you see now why compliance is everyone's responsibility? Whether it is the Consumer Protection Code, the Fitness and Probity Standards, the Individual Accountability Framework or the Minimum Competency Code, the message is consistent – consumers must be dealt with fairly, ethically and competently.

It can be challenging to keep track of the different regulations and Codes, especially when they use similar language and overlap in their expectations. But as you have seen throughout these chapters, no matter what regulation or Code requires a particular standard or behaviour, it is ultimately about your day-to-day actions.

It is you, your colleagues and your firm that bring these rules and requirements to life through the advice you give, the decisions you make and the trust you build with every customer.

E1 What's next?

Chapters 1 to 3 introduced you to the Central Bank, its role and the consumer protection focus underlying all of its activities. Now Chapters 4 to 7 explore how the Central Bank's supervision and regulation impact your role on a day-to-day basis. These remaining chapters follow the insurance consumer journey from pre-sales to the sale to the post-sales stages. At each stage, the relevance and impact of regulation is highlighted.

E2 Study tips

It is important to remember that this textbook is the primary information source for this module. All the questions in your exam will relate directly to information featured in the textbook. Use the 'End-of-chapter questions', 'Quick questions' and the 'Sample multiple-choice questions' to quickly test what you've learned so far. Make a note of any topics/areas you need to improve in and keep it to hand so you can refer to it when you revise this chapter again before your exam.

E3 Online learning supports

In addition to the textbook, the Institute's learning platform (which can be accessed via your Member Area on www.iii.ie) has many online learning supports that can help you as you study this module. These include a Guide to Success, microlearning resources and study tips guide. These learning supports are invaluable in reinforcing what you have learned from the textbook so far. The interactive study chapters, chapter-by-chapter key points and other supports will help you to break down the chapter content when revising.

Completing online mock exams and reviewing the personalised feedback that follows is a great way of testing your knowledge and preparing for exam day.

Appendix 1: Sample Conflicts of Interest policy

[Name of firm] will strive to avoid any conflicts of interest between the interests of the organisation on the one hand and personal, professional, client and business interests on the other. This includes avoiding actual conflicts of interest as well as the perception of conflicts of interest.

The purpose of this policy is to protect the integrity of the organisation's decision-making process, to enable our stakeholders to have confidence in our integrity, to protect the integrity and reputation of staff and to protect our client's best interests.

On appointment, each [Name of firm] staff member will make a full, written disclosure of interests, such as relationships and posts held, that could potentially result in a conflict of interest. This written disclosure will be kept on file and updated as appropriate.

[Name of firm] has endeavoured (below) to identify the main conflicts of interest that may arise. However, it is impossible to foresee every eventuality and therefore [Name of firm] relies on voluntary disclosure of potential conflicts of interest by its staff members.

1. [Name of firm] must act with due skill, care, diligence and in the best interests of its clients at all times. [Name of firm] must seek to avoid conflicts of interest between a client and:
 - a. [Name of firm], its managers, employees, appointed representatives and any person directly or indirectly linked to [Name of firm]
 - b. Another [Name of firm] client.
2. For the purpose of identifying the types of conflicts of interest that arise, or may arise, in the course of providing a product to a client, [Name of firm] must take into account, as a minimum, whether [Name of firm] or its staff members:
 - a. Possess outside interests, affiliations or relationships that could create a bias for or against the client (such as family relationships or close friendships, previous employment, past or present business or professional partnership)
 - b. Are likely to make a financial gain, or avoid a financial loss, at the expense of the client
 - c. Have an interest in the outcome of providing a product to the client that is distinct from the client's interest in that outcome
 - d. Have a financial or other incentive to favour the interest of one client over the interests of another client
 - e. Receive or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.
3. Examples of conflicts of interest for a [Name of firm] staff member include:
 - a. Passing large amounts of business to a particular insurer, because they previously worked for the insurer and still have friends there
 - b. Passing large amounts of business to a particular insurer, because they have a relative or friend working there
 - c. Receiving goods or services in return for agreeing to direct business to a particular insurer.
4. [Name of firm] must take adequate steps to maintain a clear audit trail that evidences both its consideration of the client's needs and the decision-making processes that led to a particular market being chosen.

Appendix 1: Sample Conflicts of Interest policy (cont)

5. The failure to properly manage and mitigate conflicts of interest potentially increases the likelihood that individual policy placement decisions may be made in the interests of [Name of firm] rather than its clients, which could result in clients:
 - a. Paying more for core insurance products than they need to
 - b. Purchasing add-on insurances and services that they may not need
 - c. Paying more for secondary products like premium finance.
6. Where conflicts of interest arise and cannot be reasonably avoided:
 - a. The [Name of firm] staff member(s) concerned must report the matter to [Name of firm] senior management or compliance function, orally or in writing, within 1 business day of becoming aware of a conflict of interest having arisen or having the potential to arise.
 - b. [Name of firm] must disclose the general nature and/or source of the conflict of interest to the affected client(s) in writing. [Name of firm] will only undertake business with a client with whom it has a direct or indirect conflicting interest, where that client has acknowledged in writing that they are aware of the conflict of interest and still wants to proceed. Such disclosure to the client must include sufficient detail to enable that client to make an informed decision with respect to the service, in the context of which the conflict of interest arises.
 - c. [Name of firm] must ensure that the conflict of interest does not result in damage to the interests of the client.
7. [Name of firm] must ensure that its commission arrangements with product producers:
 - a. Do not impair [Name of firm]'s duty to act in the best interests of clients
 - b. Do not give rise to a conflict of interests between [Name of firm] and the client.
8. [Name of firm] must ensure that its remuneration arrangements with employees, in respect of providing, arranging or recommending a product to a client, are not structured in such a way that will potentially impair [Name of firm]'s obligations to:
 - a. Act in the best interests of clients
 - b. Satisfy the suitability requirements set out in the Central Bank Consumer Protection Code.
9. [Name of firm] must ensure that its staff members do not accept any gifts or rewards (monetary or otherwise) likely to conflict with their duties in relation to their activities in [Name of firm].
10. [Name of firm] must undertake an appropriate analysis of the conflicts of interest situations that have arisen in the past on a regular basis, including investigating whether such conflicts of interest indicate an isolated or more widespread issue.

This policy is meant to supplement good judgement. Staff and management members should respect its spirit as well as its wording.

Date adopted: _____

Signed: _____



End of chapter questions

Use these questions to test your understanding of what we've covered in Chapter 3.

1. Explain how the Consumer Protection Code 2025 aims to protect consumers.

2. Define the term 'data processor'.

3. List four data protection principles.

4. Outline the three stages of the money-laundering process.

5. State the main distinction between money laundering and terrorist financing.

6. List the key components of the Individual Accountability Framework.

7. State what is meant by the term 'probity'.

8. Briefly describe what a training programme for new entrants must include if it is to comply with the Minimum Competency Code 2017.

9. Briefly explain the scope of a 'prescribed script function'.

Answers to end of chapter questions

Check your answers against those below and make a note of any points you left out. This will highlight some sections you may need to look at more closely during your revision.

1. The CPC 2025 aims to protect consumers by:
 - clearly outlining firms' consumer protection obligations
 - ensuring consumers are effectively informed and obtain the financial products best suited to them
 - ensuring greater transparency
 - reflecting how financial services are provided in a digital world.
2. A 'data processor' is a natural or legal person, public authority, agency or other body that processes personal data on behalf of the controller.
3. Any four of the following:
 - Process lawfully, fairly and transparently.
 - Collect for specified, explicit and legitimate purposes.
 - Be adequate, relevant and limited to what is necessary.
 - Be accurate and up to date.
 - Retain no longer than necessary.
 - Process in a secure manner.
 - Demonstrate compliance with data protection regulation.
4. The three stages are:
 - Placement – putting the proceeds of criminal conduct into the financial system
 - Layering – concealing the origins of the money by creating a series of complex transactions that are untraceable during the audit process
 - Integration – gaining access to the money as apparently legitimate funds.
5. For an act to be considered money laundering, the funds involved must be the proceeds of criminal conduct, but in terrorist financing the source of the funds is irrelevant (i.e. the funds may or may not be the proceeds of criminal conduct). The key consideration for terrorist financing is the intended use or destination of the funds, as opposed to their origin.
6. The key components of the Individual Accountability Framework are the:
 - Senior Executive Accountability Regime
 - Conduct Standards (Common Conduct Standards and Additional Conduct Standards)
 - Fitness and Probity Regime
 - Administrative Sanctions Procedure.
7. The term 'probity' relates to character and refers to a person's honesty, fairness and ethical attitude.

8. To comply with the MCC, a training programme for new entrants must include:
 - Initial training – organised by the firm or part of a relevant recognised qualification
 - Direct supervision by a qualified person or a grandfathered person
 - Progress towards a recognised qualification
 - Timeframe – no longer than 4 years in total.
9. For a role to qualify as a 'prescribed script function', a person must operate within a narrow and rigid set of criteria and according to a prescribed script and routine.

Answers to Quick questions

1. The Central Bank works hard to protect consumers, because individuals and small businesses rely on the advice given by insurers and advisers. In an insurance transaction, consumers are at a disadvantage in terms of expertise, competence and knowledge. It is for this reason that the Central Bank advocates for the consumer.
2. Under the CPC 2025's Standards for Business, firms are required to control and manage its affairs and systems (including risk management systems, internal control mechanisms and governance arrangements) sustainably, responsibly, in a sound and prudent manner and to counter the risks of financial abuse to customers.
3. Following the *Test-Achats* judgment, an insurer is not permitted to use a customer's gender as a risk factor when pricing motor insurance. The judgment applies to both pricing and benefits. Insurers can still offer products that target consumers based on gender, provided the product is made available to both male and female consumers and is gender neutral in its pricing and benefits.
4. A limited analysis of the market means providing services on the basis of a limited number of contracts and insurers available on the market. Although not tied to one insurer, the intermediary does not provide services on the basis of a fair and personal analysis of the market.
5. The Central Bank has a more demanding regime for PCFs than for CFs, because persons in PCFs hold positions and perform tasks that can significantly influence the affairs of a financial service provider.
6. If the MCC were less prescriptive and were instead, for example, guidelines, there would be an inevitable reduction in suitably qualified individuals and an undermining of competence, which is fundamental to giving advice.

Sample multiple-choice questions

Note: In your exam you will be awarded +3 marks for every question answered correctly, –1 mark for every question answered incorrectly and 0 marks for every question you choose not to attempt. On the answer form you complete in the exam, you will be required to choose from options A, B, C, D or E. Options A-D correspond with a possible answer to the question, while selecting Option E confirms that you are choosing not to attempt the question. When you attempt the mini-mock and full mock exam papers available on the Institute's online learning platform, this marking system is applied to allow you to prepare for your exam.

1. Vitalogy Insurance DAC has an annual global turnover of €900 million and has been found guilty of a serious breach of data protection regulation. What is the maximum amount that Vitalogy could be fined under the General Data Protection Regulation (GDPR)?

- A. €20 million.
- B. €24 million.
- C. €32 million.
- D. €36 million.

Your answer:

☐

2. Oisín is Head of Sales at an insurance broker. He has researched the market to get the best motor quote for his client and that is with ABC Insurance. However, another insurer, XYZ, has also quoted for the business and provides Oisín and his firm with great entertainment and lunches out for all new business. What would be the best ethical approach for Oisín to take?

- A. Place the business with XYZ as they have been so generous to him and his staff.
- B. Place the business with ABC as he must act fairly and honestly in the best interests of his client.
- C. Inform the Central Bank of the potential conflict of interest and seek guidance on the most appropriate action to take.
- D. Ask ABC if it can provide similar benefits to gain the business.

Your answer:

☐

3. Which of the following roles would be classified as a pre-approval controlled function (PCF) by the Central Bank?

- A. Claims handler.
- B. An employee arranging, or offering to arrange, a financial service.
- C. An employee giving advice to a customer regarding a financial service.
- D. Chief Financial Officer.

Your answer:

☐

Answers to sample multiple-choice questions

Question 1

Chapter reference: Chapter 3A2b

Question type: A

Correct response: D

Learning outcome: Explain and demonstrate the impact of legislation and regulation concerned directly and indirectly with consumer protection.

Question 2

Chapter reference: Chapter 3B1a

Question type: U

Correct response: B

Learning outcome: Explain and demonstrate the role of ethics, accountability and competence in protecting insurance consumers.

Question 3

Chapter reference: Chapter 3D1a

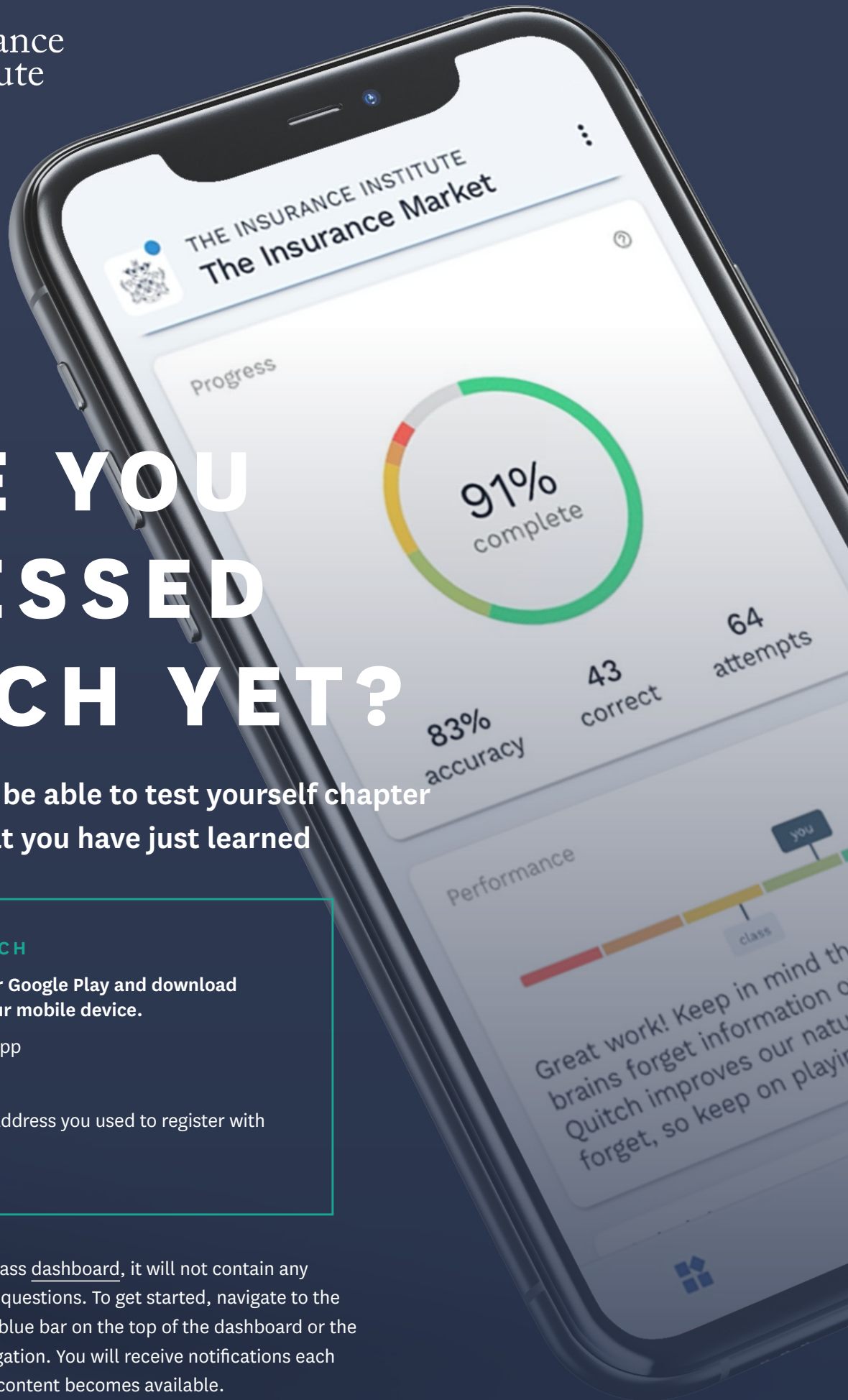
Question type: K

Correct response: D

Learning outcome: Explain and demonstrate the role of ethics, accountability and competence in protecting insurance consumers.



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Quitch

Introduction to the insurance process

Now that the scene has been set and you know why and how the insurance industry is regulated and supervised, it is time to learn how this impacts your day-to-day job and, more importantly, what it means for your interactions with customers.

What does being an insurance adviser mean?

Being an insurance adviser is not only about selling insurance policies. Your role is about so much more than providing a quotation, administering a policy, settling a claim or resolving a complaint. At its core, the insurance process is a journey guided by regulatory requirements, best practice and ethical standards.

During the process of interaction with your customer, it is your job to:

- Research their needs and objectives, personal circumstances, financial situation, attitude to risk and sustainability preferences⁶³
- Secure and act in their best interests
- Inform them effectively
- Treat them fairly and professionally
- Ensure they receive the most suitable product or service for their needs
- Ensure transparency
- Build trust
- Comply with regulations
- Observe best practice
- Act ethically, with honesty, integrity, due skill, care and diligence
- Uphold the integrity of the insurance market.

As you learned in Chapter 3, rules and regulations exist to guide your behaviour, but ethics, consumer protection and the integrity of the insurance market should also be foremost in your mind.

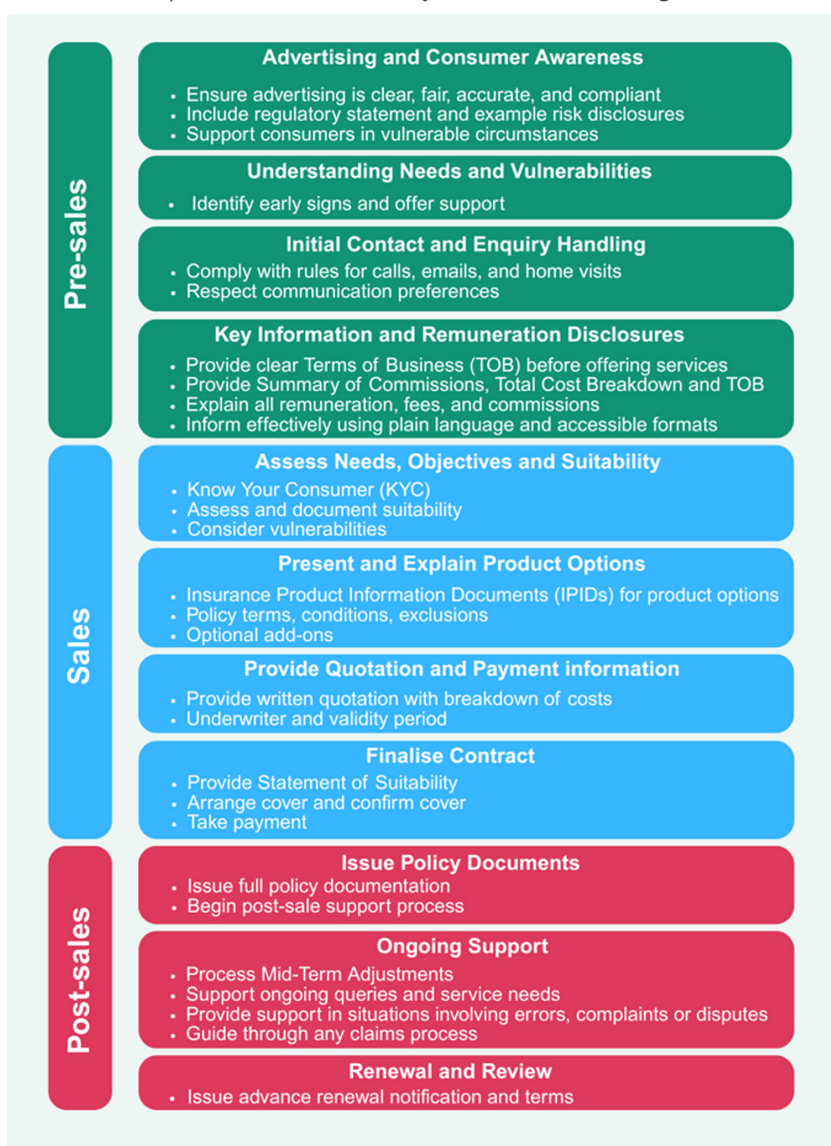
⁶³ Regulation 16, CPR 2025.

What is covered in the remaining chapters?

Chapters 4 to 7 will walk you through the insurance process from pre-sales to the sale itself and then on to the post-sales process, which focuses on the ongoing relationship with the consumer, including the resolution of complaints and disputes. The focus throughout these chapters is on regulatory compliance, consumer protection and relationship building.

These processes (pre-sales, sales and post-sales) are considered from the perspective of an adviser involved in insurance distribution. Whether the adviser works for an insurer and advises on the insurer's products only, or works as an intermediary that advises on a range of products across the insurance market, the same requirements apply to ensure that all customers have good outcomes.

This flowchart outlines these processes and the key issues at each stage.



As financial services are continually evolving, you are encouraged to access the Central Bank website and stay informed about ongoing developments. However, please note that only the content of this textbook is examinable.

What terminology do I need to know?

At this stage, it is useful to clarify a few terms and definitions that you have already heard but will be seeing a lot in the remaining chapters of the textbook. (More precise definitions of these terms appear in the glossary of key terms at the end of the textbook.)

adviser (advisor)	An individual involved in the advising process. This may be an employee of an insurer or an intermediary. Advisers may perform a number of tasks, e.g. help a client decide on insurance products and services or provide assistance throughout the claims process.
broker	A type of insurance intermediary. At this stage, it is sufficient to note that the main role of a broker is to assist their client in arranging insurance.
client	<p>A buyer of financial services/products. Can include individuals, firms, organisations or clubs. The terms 'client' and 'customer' are interchangeable.</p> <p>We use the term 'client' extensively in this textbook, especially when examining the activities of insurance intermediaries (and advisers working in intermediary firms).</p>
consumer	<p>A customer that is:</p> <ol style="list-style-type: none"> a natural person a group of natural persons including a partnership, club, charity, trust or other unincorporated body an incorporated body that: <ol style="list-style-type: none"> does not have an annual turnover in excess of €5 million in the previous financial year is not a member of a group of companies with a combined turnover of more than €5 million⁶⁴
consumer in vulnerable circumstances	A natural person, whose personal circumstances, whether permanent or temporary, make that consumer especially susceptible to harm, particularly where a regulated entity is not acting with the appropriate levels of care. The term 'vulnerable circumstances' shall be construed accordingly. ⁶⁵
customer	A broader term than 'consumer', referring to any person to whom a regulated firm provides or offers (via marketing, advertising or other means) financial services, or who requests the provision of a financial service from the firm. The definition includes existing customers, potential customers and former customers. The terms 'client' and 'customer' are interchangeable.
personal consumer	A consumer who is a natural person acting in their private capacity outside their business, trade or profession.
regulated entity/firm	A financial service provider (FSP), e.g. an insurer or insurance intermediary, authorised, regulated or supervised by the Central Bank (or other European Union/European Economic Area member state). We sometimes use 'firm' but the context will indicate whether this relates to insurer, intermediary or both.

⁶⁴ Regulation 2, CPR 2025. Note: The term 'consumer' is defined differently in various pieces of legislation. For example, the **Consumer Credit Act 1995** defines 'consumer' as 'a natural person acting outside his trade, business or profession'. In this textbook, the definition of 'consumer' as set out in the Central Bank CPC 2025 is used unless specifically stated otherwise.

⁶⁵ Regulation 2, CPR 2025.

While the CPC 2025 applies to the provision of services and advice to all 'customers' in the State, most of the requirements outlined in the remaining chapters relate to a firm's dealings with those who fall within the Central Bank's definition of 'consumer'. This definition recognises that small enterprises (i.e. with an annual turnover of under €5 million) may not have any greater understanding of insurance matters than the average individual. However, it is important to note that every category of client or policyholder, whatever their size or turnover, should be treated fairly, professionally and in line with best practice.

How will the application of these compliance requirements be demonstrated?

To bring the advising process, regulations and chapters to life, we are going to follow Mark and Sarah O'Connor's insurance journey. They will appear throughout Chapters 4 to 7, where you will see what regulatory compliance, consumer protection and relationship building look like for them.



Who are Mark and Sarah?

Mark and Sarah O'Connor are a married couple. They own their own house in Rathmines (Dublin) with their two children (ages 8 and 11) and their dog, Rascal. Mark (age 42) is an IT Project Manager working on a freelance basis. Sarah (40) is a secondary school teacher.

Mark and Sarah are currently reviewing their home and motor insurance policies and considering what other insurance covers they might need. While the couple are financially comfortable, they are time poor. Because of this, they rely heavily on their insurance broker (Shay).



Who else will you meet?

Nora is Sarah's sister. She is 25, lives in Tipperary and works as a physiotherapist. She is renting and has just bought her first car.

Tom is Sarah and Nora's Dad. He is recently widowed and lives in Claremorris (County Mayo). He is not very tech-savvy and when it comes to financial matters, he prefers to deal with someone face to face.

Samuel has been Mark's best friend since their school days. He is a 39-year-old self-employed landscape gardener, living in Dundalk (County Louth). He recently had a theft from his work van and is unsure if he has sufficient insurance cover.

Lastly, as already mentioned, Shay is the couple's long-trusted insurance broker. He works for AllGood Brokers, based in Dublin city centre. He prides himself on providing ethical advice and personal service, but like many in the current, competitive insurance market, he is feeling pressure to improve his sales performance.

What is the pre-sales process?

What to expect in this chapter

This chapter provides details on the pre-sales process, focusing on:

- Consumer protection in advertising and compliance with regulatory obligations
- How to interact with and treat the various types of customers
- The product information that must be provided to comply with regulatory obligations.

At this stage of the insurance process, before any advice has been given or before a consumer has even approached an insurer or intermediary, firms and advisers must comply with certain rules and regulations.

This chapter outlines the impact of these key requirements, including compliance with the **Consumer Protection Code** (CPC 2025), **General Data Protection Regulation** (GDPR), ePrivacy Regulations and Distance Marketing Regulations.

Learning outcomes for this chapter

Section	Title	At the end of each section you should be able to:
A	How can we advertise to consumers?	Explain the impact of the Consumer Protection Code, ePrivacy Regulations, Distance Marketing Regulations and GDPR on advertising to insurance consumers.
B	What are the regulatory responsibilities when dealing with consumers in the pre-sales process?	Describe and apply the relevant Consumer Protection requirements in the pre-sales process.
C	What information does the consumer need to receive during the pre-sales process?	Outline the scope and purpose of the information to be provided to the consumer in the pre-sales process.

A

How can we advertise to consumers?

Advertising is the initial point of contact between a firm and its potential consumers. It shapes consumer perception, builds brand trust and generates interest in financial products and services.

Various legislation and regulations, including the **Consumer Protection Code** (CPC 2025), GDPR, ePrivacy Regulations (ePR) and Distance Marketing Regulations, establish requirements that firms must follow to protect consumers and ensure transparency. Table 4.1 shows the scope of these regulations and their key requirements at this stage of the insurance process.

Table 4.1 Summary of pre-sales regulation		
Regulation	Applies to	Key Pre-Sales Requirements
Consumer Protection Code (CPC 2025)	All regulated firms and advisers	<ul style="list-style-type: none">Fair, clear and accurate advertisingDisclosure of Terms of Business and remunerationConsumer protection for those in vulnerable circumstancesPlain language and timely pre-contract information
General Data Protection Regulation (2016)	Any use of personal data	<ul style="list-style-type: none">Lawful basis for processing (consent or contract)Right to access, correct or erase dataTransparent privacy notices and use of marketing data
ePrivacy Regulations (2011)	Electronic communications (email, SMS, cookies)	<ul style="list-style-type: none">Consent required for direct marketingCookie permissions and tracking consentClear opt-out mechanisms for digital marketing
Distance Marketing Regulations (2004 & 2005)	Non face-to-face financial service sales	<ul style="list-style-type: none">Pre-contract information must be supplied14-day cooling-off period for general insuranceFull details of contract, supplier, and cancellation rights

This section outlines these requirements in relation to the advertising process, including the special considerations for consumers in vulnerable circumstances.



Consumer Protection Code

code issued by the Central Bank setting out requirements that regulated entities/firms must comply with, in order to ensure a minimum level of protection for consumers

**key information**

any information that is likely to influence a consumer's actions with regard to a product or service

A1 What features should an advertisement have?

Before launching an advertisement, firms must ensure that it aligns with the CPC 2025, GDPR and sector-specific Regulations.

Under the CPC 2025, firms must ensure that the design, presentation and information in their advertisements are clear, fair, accurate and not misleading. The information should not influence the consumer's attitude to the firm or product by exaggerating or omitting details. All research, statistics or claims quoted in its advertisements must be substantiated and the sources included.⁶⁶ Examples of misleading practices could include omitting important terms and conditions or using overly optimistic projections without proper disclaimers.

Any advertised example risks with fixed prices (as in Example 4.1) must clearly display the **key information** and qualifying criteria, i.e. who can avail of the fixed prices or maximum savings) and prominently include any fees, exclusions and terms. This information should not be hidden in small print or footnotes.⁶⁷



Example 4.1

'Car insurance from only €400 per year'

Quote based on Nora, aged 25, full Irish licence, 8 years no claims bonus, driving a 2018 Toyota Corolla 1.4 litre engine, living in Tipperary, private use only, no penalty points or claims in the last 5 years. Quote obtained 5 December 2025.

Example 4.1 complies with the 'example risk' requirements because the quoted price is clearly linked to a specific profile. It discloses key assumptions (e.g. age, location, vehicle, claims history) and includes the date of the quotation.

In essence, advertising should not exploit a consumer's lack of knowledge and so plain language should be used and technical jargon avoided.

Under the CPC 2025, every advertisement must:⁶⁸

- Specify the full company and trading name of the firm
- Be reviewed and updated regularly
- Provide clear identification that it is an advertisement
- Present key information and risks with equal prominence, avoid misleading design and only use small print or footnotes to supplement, not obscure, key details
- Have warning statements (where applicable) displayed prominently (see Section A1c).

⁶⁶ Regulation 77, CPR 2025.

⁶⁷ Regulation 81, CPR 2025.

⁶⁸ Regulations 78; 75; 79; 80; 82, CPR 2025.

A1a Regulatory disclosure statement

Under the CPC 2025, advertisements must include the firm's regulatory disclosure statement confirming its authorisation and regulation by the Central Bank.⁶⁹

The format and content of the regulatory disclosure statement differ according to the member state where the firm has been authorised. The regulatory disclosure statement required by the CPC 2025 is outlined in Example 4.2. Have you heard this type of regulatory disclosure statement on the radio or TV?



Example 4.2

Where a firm is authorised by the Central Bank:

[Full legal name of regulated entity], [trading as (insert all trading names used by the regulated entity)] is regulated by the Central Bank of Ireland.

Where a firm is passporting services into Ireland on a cross-border freedom of services or branch basis:

[Full legal name of the regulated entity], [trading as (insert trading names used by that regulated entity relevant to the financial service concerned)], is [authorised/licensed or registered] by [insert name of competent authority from which it received its authorisation or licence, or with which it is registered] in [insert name of the Member State where that competent authority resides] and is regulated by the Central Bank of Ireland for consumer protection rules.

Look at the two motor insurance adverts in Example 4.3 and see if you can identify the features that may or may not be compliant with the CPC 2025. This example illustrates the difference in language and format that might appear in a compliant motor insurance advertisement in contrast to one that is non-compliant.



Example 4.3

Example 4.3		
<p>Do you need Car Insurance?</p> <ul style="list-style-type: none"> ✓ Comprehensive cover options ✓ Cover from €400 ✓ 24/7 Claims Line ✓ Fast Claims Processing <p>GET A QUOTE TODAY Website: xyzinsurance.com</p> <p>Quote based on Mark, Rathmines, 42, Full Licence, 10 years NCB, driving a Toyota Corolla 2018 1500cc - quote valid as of December 2025. XYZ Insurance is regulated by the Central Bank of Ireland.</p>	<p>XYZ Insurance Car Insurance Regulated by the Central Bank of Ireland</p> <p>MOTOR INSURANCE FROM €400 T&C APPLY</p>	<p>Compliant advert</p> <ul style="list-style-type: none"> • Motor cover from €400 • Terms and conditions apply • Regulatory disclosure statement noted • Quote based on a specific example risk and includes date of comparison and sources • Exclusions and eligibility noted
<p>Do you need Car Insurance?</p> <ul style="list-style-type: none"> ✓ Fully covered ✓ No forms, no fuss ✓ 24/7 Claims Line ✓ Next day Claims Processing <p>GET COVER TODAY Website: xyzinsurance.com</p>	<p>XYZ Insurance Car Insurance</p> <p>MOTOR INSURANCE ONLY €400</p>	<p>Non-compliant advert</p> <ul style="list-style-type: none"> • Get fully covered for only €400, 'no forms, no fuss' • No terms and conditions noted • No regulatory disclosure statement noted • No example risk given and no comparison data or source listed • No mention of exclusions or eligibility



Quick question 1

List five key features that must be included in all advertisements to comply with the CPC 2025.

The answer is at the end of this chapter.

⁶⁹ Regulation 71, CPR 2025.



consumer in vulnerable circumstances

a natural person whose personal circumstances, whether permanent or temporary, make that consumer especially susceptible to harm

A1b Clarity in product names

The names of financial services must not be misleading in terms of the nature of the financial service or the benefits that the financial service can deliver to a consumer.⁷⁰ For example, a policy or product name such as ‘Cover All’ would be misleading, as the name might imply that the policy covered all risks and eventualities. In reality, no standard insurance policy offers that level of cover and such a name could create confusion or unrealistic expectations.

Firms must ensure that the name given to a financial product reflects its true function and limitations. The name should not suggest benefits that don’t exist – such as guaranteed returns or risk-free protection – unless these are clearly outlined and valid.

As already noted, all advertising material must explain the terms, the scope of cover, any major exclusions and the specific conditions that apply. This allows consumers to make informed decisions based on a realistic understanding of what the product offers – and just as importantly, what it does not – rather than assumptions created by branding or slogans.

A1c Warning statements

Under the CPC 2025, warning statements must be presented in a way that captures the consumer’s attention. Where the warning is in text format, it must appear in a prominent position, enclosed in a box, in bold type and in a font size that is at least equal to the predominant font size used throughout the related document, advertisement or communication.⁷¹ These requirements apply to warning statements that appear in advertisements, documents or any information provided to the consumer.

Example 4.4 gives examples of warning statements.



Example 4.4

- ‘Past performance is not a reliable guide to future returns.’
- ‘This insurance policy does not cover pre-existing conditions.’

A2 Advertising to consumers in vulnerable circumstances

As previously noted, under the CPC 2025, the Central Bank introduced enhanced requirements in relation to **consumers in vulnerable circumstances**. These requirements are considered in Section B1. For now, in the context of advertising insurance products and services, we outline how such a consumer’s needs should be considered, and additional supports provided as appropriate (as in Example 4.5).⁷² Such support could be in the form of accessible documentation, the offer of customer support options for clarification before purchase or the avoidance of overly complex terminology.

⁷⁰ Regulation 44, CPR 2025.
⁷¹ Regulation 45, CPR 2025.
⁷² Central Bank, 2025, *Guidance on Protecting Customers in Vulnerable Circumstances*, Provision 1.1.1, March, www.centralbank.ie.



Example 4.5

Sarah's father, Tom, is 82, recently widowed. His late wife always arranged their household insurance cover but now he needs to do this.

He sees an online advert for 'hassle-free home cover, no forms, instant savings, offer ends in 12 hours'. Tom clicks on the advert and is directed to a fast-moving site with flashing banners, minimal explanation of the cover available and limited help options.

While the policy documents are technically available for download, Tom struggles to understand them and is unsure what cover he actually needs. Without confidence in his decision, he abandons the process and feels overwhelmed.

The scenario in Example 4.5 illustrates how a consumer might find themselves in vulnerable circumstances. Tom's age, recent bereavement and lack of experience with online insurance services place him in potentially vulnerable circumstances. While the insurer may not have breached any disclosure requirements, its digital platform and marketing approach do not adequately support Tom's needs. The sense of urgency created, the lack of plain-language explanations and the absence of easily accessible customer support may prevent consumers like Tom from making informed choices.

How could this service and Tom's experience be improved?

- By providing an 'ask us a question' pop-up or call-back option
- By avoiding aggressive sales tactics such as countdown timers
- By including a 'Need extra help?' or 'Frequently Asked Questions' section for those who may require support in navigating digital platforms.



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

A3 Electronic marketing

In the pre-sales process, advisers must ensure compliance not only with the CPC 2025, but also with the GDPR and the **ePrivacy Regulations 2011**. These Regulations collectively set the standards for how firms interact with consumers through electronic means, including email, SMS, telephone, targeted social media campaigns and cookies.

As you learned in Chapter 3, the GDPR focuses on the lawful processing of personal data and requires firms to demonstrate a clear legal basis for using such data in marketing. The basis must typically be explicit, informed, and with opt-in consent for direct marketing purposes. This means that consent must be freely given, specific, informed and unambiguous. Firms cannot use pre-ticked boxes or implied consent. Firms must also provide clear privacy notices explaining how personal data will be used and must retain proof that valid consent was obtained.

The **ePrivacy Regulations 2011** (ePR) supplement the GDPR by focusing specifically on the use of electronic communications. The key provisions of these Regulations are that:⁷³

- Consent must be given before a website or app can store information on a device, i.e. cookies
- Consent must be given before marketing communications are sent, e.g. via emails or automated phone calls
- Information around the provision of consent must be as user-friendly as possible, i.e. clear, comprehensive and easily accessible
- A clear and distinct means of opting out must be included in every marketing communication.

Failure to comply with electronic marketing Regulations can result in significant financial, legal and reputational consequences for firms (see Chapter 6D3b).

A3a Digitalisation and the consumer

While the Central Bank acknowledges that digitalisation in financial services has brought many benefits for firms and consumers and has the potential to bring many more, it also recognises that there are 'technology driven risks to consumer protection'.⁷⁴ Extract 4.1 highlights this view.

4.1

Extract Financial regulation and technological innovation: a thematic approach

Technology has of course the potential to both significantly improve and to undermine the quality of engagement between financial firms and their customers. It has the potential to significantly enhance the outcomes that consumers experience while at the same time bringing risks including around fair treatment, suitability of offering, information and disclosure, amongst others.⁷⁵

The CPC 2025 is technology neutral. This means that the Central Bank does not focus on regulating the specific technology used by firms, but is only concerned that the CPC's requirements are being met. Chapter 4 of the **Consumer Protection Regulations 2025** deals specifically with digitalisation and aims to ensure that firms' digital platforms and technologies produce consistent and objective customer-focused outcomes.⁷⁶

⁷³ **ePrivacy Regulations 2011** (ePR 2011), Regulation 5(3a); 13(1); 5 (3b & 4); 13(11).

⁷⁴ Central Bank of Ireland, *Consumer Protection Outlook Report 2023*, p.21, www.centralbank.ie.

⁷⁵ Central Bank of Ireland (News & Media – Press Releases), 2019. 'Financial regulation and technological innovation: a thematic approach' (speech), Gerry Cross' (Central Bank Director of Policy and Risk), 27 November, www.centralbank.ie.

⁷⁶ Central Bank of Ireland, 2025. (Consumer Hub – Explainers), What is the Consumer Protection Code 2025 and how can it protect me?, www.centralbank.ie.

In the evolving digital landscape, firms must ensure their digital platforms comply with the CPC 2025. In relation to digital platforms, the CPC 2025 requires that they:

- Are easy to use, understand and navigate
- Provide accessible guidance on their use and navigation
- Provide information on how assistance (in relation to the use of the digital platform or the financial service) can be obtained
- Are designed to produce outcomes that are objective and consistent for consumers
- Do not provide preselected options to the consumer that indicate the consumer has confirmed they have read or understood the information provided
- Notify the consumer at least 15 **business days** in advance of any withdrawal of access to those systems or to the information concerned
- Remind consumers (purchasing via digital platforms) of their right of withdrawal.⁷⁷



business day

any day of the normal business working week, Monday to Friday inclusive, excluding weekends, bank or public holidays (also known as 'working day')

⁷⁷ Regulations 38–43, CPR 2025.

B

What are the regulatory responsibilities when dealing with consumers in the pre-sales process?

The requirements outlined in the CPC 2025 establish how insurers and intermediaries must interact with consumers, ensuring fairness, transparency and compliance.⁷⁸ This section covers the key requirements around customer contact.

B1 Consumers in vulnerable circumstances

In its *Guidance on Protecting Consumers in Vulnerable Circumstances*, the Central Bank outlined how firms should embed a culture of awareness, responsiveness and fairness when dealing with these consumers.

B1a What is a consumer in vulnerable circumstances?

A consumer in vulnerable circumstances is someone whose personal circumstances (permanent or temporary) make them especially susceptible to harm.⁷⁹ This definition takes into consideration the fact that a consumer may move in and out of vulnerable circumstances. These circumstances may be personal, financial or situational, and consequently, these consumers may require additional support in making financial decisions.

Table 4.2 shows some examples of consumers in vulnerable circumstances.

Table 4.2 Consumers in vulnerable circumstances	
A consumer who . . .	Examples
Is capable of making decisions, but their particular life stage or circumstances should be taken into account.	Age, poor credit history, low income, financial hardship, serious illness, bereavement
Is capable of making decisions but requires reasonable accommodation to do so.	Hearing impaired, visual impaired, physical health condition or disability, language barriers, poor reading or financial literacy
Has limited capacity to make decisions (permanent or temporary) and requires assistance to do so.	Mental health condition, stress, intellectual disability

⁷⁸ Part 2, **Consumer Protection Regulations 2025**.

⁷⁹ Regulation 81, CPR 2025.

B1b Proactive identification of vulnerable circumstances

While the Central Bank considers that identifying a vulnerability should be an inherent part of the 'knowing the consumer' process (see Chapter 5B), the CPC 2025 Guidance emphasises proactive identification of vulnerability at the pre-sales stage. This includes:⁸⁰

- Recording relevant information on vulnerability so that the consumer does not have to unnecessarily explain their circumstances on multiple occasions
- Having processes and systems in place to appropriately record relevant information
- Facilitating customers in easily updating their information
- Ensuring staff are familiar with the opportunity for customers to nominate a **Trusted Contact Person**.

Identification of a consumer's vulnerability requires the exercise of judgement and common sense and is based on a consumer's ability to make a particular decision at a point in time. The CPC 2025 requires that advisers:

- Receive appropriate training in relation to vulnerable circumstances so that they have the knowledge and awareness to recognise and respond to consumers in such circumstances
- Are aware of the policies, procedures, systems and controls within the firm for responding to the needs of these consumers.⁸¹



Just think

If a consumer does not disclose their vulnerable circumstances, outline how an adviser can still identify and support their needs while respecting privacy.

B1c Training around vulnerable circumstances

The CPC 2025 requires that staff are adequately trained to recognise and support consumers in vulnerable circumstances.

Figure 4.1 sets out what should be covered by this training. The training requirements focus on staff being able to identify potential vulnerability, respond appropriately and support consumers to make informed decisions.



Trusted Contact Person

a person nominated by a consumer that a regulated entity may contact in specific circumstances

⁸⁰ Central Bank, 2025. *Guidance on Protecting Customers in Vulnerable Circumstances*, Provisions 2.3.13; 2.3.14; 2.3.15; 2.3.18, March, www.centralbank.ie.

⁸¹ Regulation 35, CPR 2025.

Figure 4.1 Central Bank guidance on staff training on vulnerability⁸²**Training for staff on vulnerability**

- Types of vulnerabilities
- Key signs and indicators of vulnerability
- How to recognise a consumer in vulnerable circumstances
- Understanding how vulnerabilities impact customer behaviour and outcomes and why flexible and adaptable systems matter
- Enabling and empowering customers to disclose a need
- Practical assistance and supports available for customers
- Digital journeys - what alternative options are available and what supports can be provided for customers to utilise digital options?
- Recognising and responding to exploitation and abuse and the procedure to be followed if there are concerns about a customer
- The role of the Trusted Contact Person and the procedure to be followed to establish this arrangement
- Compliance with obligations under the Assisted Decision-Making (Capacity) Act 2015 and General Data Protection Regulation 2016
- Adult safeguarding

Signs of vulnerability for staff to recognise might include confusion about financial products, difficulty understanding communications or disclosure of a recent bereavement or illness. Staff should be trained to respond with empathy, offer clear explanations and outline alternative communication methods. More practical supports may include longer appointment times or the ability to nominate a Trusted Contact Person (see Section B1d). The training also emphasises the importance of enabling customers to disclose their needs and ensuring compliance with data protection and **Assisted Decision-Making (Capacity) Act 2015** (AMDA) obligations.

**Just think**

Explain why it is essential to verify the authority of an individual acting under a 'power of attorney' before engaging in financial transactions.

**power of attorney**

statutory authorisation given to an individual to act on behalf of another individual in either all, or specified, legal or financial matters

B1d Power of attorney and Trusted Contact Person

A consumer's family does not have an automatic right to represent them or make decisions on their behalf. However, a consumer may designate another individual (possibly a family member) to act on their behalf using a **power of attorney**⁸³ or may, alternatively, nominate an individual as a Trusted Contact Person.

⁸² Central Bank, 2025. *Guidance on Protecting Customers in Vulnerable Circumstances*, Provision 2.3.8, March, www.centralbank.ie.

⁸³ Regulation 124, CPR 2025.

When dealing with a person who holds power of attorney and is acting on behalf of a consumer, a firm must:

- Obtain a certified copy of the Power of Attorney before interacting with a representative.
- Verify the scope of the representative’s authority, e.g. whether they can make financial decisions.
- Ensure full compliance with the power of attorney’s legal limitations.⁸⁴

This is crucial to ensure the validity of the power of attorney before any financial transactions are completed, thus preventing potential disputes, unauthorised transactions and financial losses.

A Trusted Contact Person has no authority to deal with the consumer’s affairs in respect of a firm and is not their legal representative. A ‘trusted contact person’ designation under the CPC 2025 allows that person to be contacted in circumstances where there are concerns around possible financial abuse; if information is required about the consumer’s health status, contact information or legal representative; or where the firm is having difficulties communicating with the consumer.⁸⁵

In terms of nominating someone to support a vulnerable consumer, the CPC 2025 Guidance notes that a customer may have other arrangements in place to assist them.⁸⁶ For example, Table 4.3 outlines the three decision-making assistance arrangements available under the AMDA to support an individual making decisions on personal welfare or property and finance (or a combination of both).

Table 4.3 Decision-making support options under Assisted Decision-Making (Capacity) Act 2015			
Support option	Role	Decision-making responsibility	Supervised by
Decision-making assistant	Appointed to support an individual to access information or to understand, make and express decisions	To remain with the individual	Director of the Decision Support Service
Co-decision-maker	Appointed to make decisions jointly with the individual	To be shared jointly between the individual and co-decision-maker	
Decision-making representative	A Circuit Court-appointed decision-making representative, whose functions are as limited in scope and duration as is reasonably practicable	To make decisions on behalf of the individual, but must abide by the guiding principles and reflect the individual’s will and preferences where possible	

⁸⁴ Regulation 124, CPR 2025.

⁸⁵ Regulation 36, CPR 2025.

⁸⁶ Central Bank, 2025. *Guidance on Protecting Customers in Vulnerable Circumstances*, Provision 2.3.24, March, www.centralbank.ie.

Where such a statutory arrangement is in place, a firm should defer to these arrangements instead of communicating with a Trusted Contact Person.⁸⁷

B1e What else should a firm do to support consumers in vulnerable circumstances?

In addition to facilitating the identification of such consumers and training its staff, firms should also:⁸⁸

- Embed the fair treatment of consumers in vulnerable circumstances as part of its culture, operations and processes
- Consider vulnerability in the design of a firm's products, policies and processes, which should be reflected in all aspects of the customer journey
- Consider potential differences in consumers' understanding and capability to use digital platforms
- Have clear procedures for employees to report concerns that a consumer is the victim, or is at risk of being the victim, of a fraud or scam or other financial abuse.

Most importantly though is the CPC 2025 requirement that, once it has identified that a consumer is in vulnerable circumstances, a firm must provide that consumer with 'such ongoing reasonable assistance as may be necessary to facilitate that consumer in their dealings' with the firm.⁸⁹ This assistance is determined by the individual consumer and the particular situation involved. Throughout this textbook, at the various stages of the insurance process, we examine what this assistance might be.



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

B2 Personal visits and consumer contact

B2a Personal visits

A firm is not permitted to make an unsolicited personal visit to a consumer who is an individual. There are no exceptions to this rule, e.g. a representative of a firm can never knock on a consumer's door without a prior appointment.

Even before advice is given, advisers must comply with strict rules about contacting consumers, especially when it comes to personal visits. Extract 4.2 outlines the CPC 2025's requirements in respect of personal visits.

⁸⁷ Central Bank, 2025. *Guidance on Protecting Customers in Vulnerable Circumstances*, Provision 2.3.24, March, www.centralbank.ie.

⁸⁸ Central Bank, 2025. *Guidance on Protecting Customers in Vulnerable Circumstances*, Provisions 2.2.2; 2.2.6 & 2.2.7; 2.2.8; 2.2.10, March, www.centralbank.ie.

⁸⁹ Regulation 34, CPR 2025.

4.2

Extract Personal visits

A firm:

- Must not make an unsolicited personal visit, at any time, to a consumer who is an individual, e.g. calling to a consumer's home.
- May only make a personal visit to a consumer who is an individual, if that consumer has given written consent to being contacted by the firm by means of a personal visit.
- Must obtain consent in advance of each personal visit and must maintain a record of this consent.
- Must have obtained the consent of a consumer who is an individual, in relation to:
 - the purpose(s) for which a personal visit is to be made including, in the case of sales and marketing, the types of product to be discussed during the personal visit
 - the time, date and location for the personal visit
 - any fee to be charged by the firm for the personal visit.⁹⁰

While such personal visits are more common during the sales process, the rules apply at any stage where a firm makes face-to-face contact, including during pre-sales discussions or policy reviews. Example 4.6 outlines a typical pre-visit procedure.

**Example 4.6**

Mark and Sarah O'Connor, a married couple with two young children, are reviewing their insurance arrangements after renovating and extending their house. Mark is interested in discussing their options in relation to the revised sum insured and items that may need to be specified under the policy. Given their time constraints with work and juggling parenting, along with the trust they have in their long-term broker, Shay, the couple would prefer an in-person meeting at their home.

Before arranging the visit, the adviser must:

- Clearly explain the purpose of the visit in advance and provide information on what will be discussed, ensuring Mark gives informed consent for the meeting.
- Agree a specific date and time that suits both Mark and Sarah
- Keep a record of Mark's consent, detailing the purpose of the visit and confirming their preferred timing.

⁹⁰ Regulation 108, CPR 2025.

B2b Telephone contact with a consumer who is an existing customer

Extract 4.3 provides guidelines for telephone contact under the **Consumer Protection Regulations 2025**.

4.3

Extract Telephone contact

A firm may make telephone contact with a consumer who is an existing customer, only if:

- a. The firm has, within the previous twelve months, provided that consumer with a product or service similar to the purpose of the telephone contact
- b. The consumer holds a product that requires the firm to maintain contact with the consumer in relation to that product and the contact is in relation to that product
- c. The purpose of the telephone contact is limited to offering protection policies only
- d. The consumer has given their consent to being contacted in this way by the firm.⁹¹

Example 4.7 outlines the procedure to follow in arranging a phone contact with a client.



Example 4.7

Mark O'Connor is a freelance IT Project Manager and a long-time client of Shay, a broker at AllGood Brokers. Mark recently launched his own business and, through Shay, he arranged a commercial insurance policy to cover his work equipment and public liability.

Six months later, Mark's client base has grown to a size where he might want to hire a subcontractor. Shay wants to check in with Mark to review the existing cover and to suggest that Mark consider purchasing professional indemnity cover, which may now be relevant.

Because Mark is already a customer, Shay can contact him to discuss the existing policy or related protection needs, as long as the method of contact aligns with Mark's previously expressed preferences. When applying for the commercial insurance policy, Mark had chosen 'email' as his preferred contact method but had not chosen 'phone'.

Shay may send Mark an email suggesting a call and asking if he would like to arrange a time to speak. Shay cannot phone Mark directly as Mark had not expressly agreed to be contacted by phone.

⁹¹ Regulation 109, CPR 2025.

B2c Telephone contact with a consumer other than an existing customer

A firm may make telephone contact with a consumer (i.e. a potential or former customer known as the 'contacted person') other than an existing customer, only if one of the following conditions is met:

- The contacted person has, within the previous 12 months, given the firm written consent to make telephone calls to them for specified purposes and the contact is in respect of such specified purposes.
- The contacted person had made their contact details public in the State (e.g. in a business listing section in a current telephone directory or classified telephone directory; in a trade/professional directory; or on a website, software app or other digital technology) and contact is made via those details and with the consent of the contacted person.
- The contacted person is a director of a company, or a partner in a firm with publicly published contact details and contact is made via those details and it is in connection with their professional role.
- The contacted person is the subject of a referral (for which they have provided express consent) received from a regulated entity, another entity with the same group, a solicitor or a certified person.
- The purpose of the contact is limited to offering protection policies.⁹²

A firm must also make sure that phone contact is only made between 9am and 9pm Monday to Saturday (excluding public holidays), unless otherwise agreed with the consumer.⁹³



B2d Information to be provided

Extract 4.4 outlines the information that must be provided (and in the order it must be provided) to consumers in relation to personal visits or telephone calls.

4.4

Extract Personal visits and telephone contact

The representative of a firm must immediately and in the following order:

1. Identify themselves by name, the name of the firm and the commercial purpose of the contact.
2. Inform the consumer if the telephone contact is being recorded.
3. Where relevant, disclose to the consumer the source of the business lead or referral.
4. Establish if the consumer wishes to proceed, and if not, end the contact immediately.

⁹² Regulation 110, CPR 2025.

⁹³ Regulation 112, CPR 2025.

In each case, if the consumer indicates that they want no further contact from sales and marketing, the firm must comply with this and record the fact.⁹⁴

Example 4.8 describes a situation where most of these rules apply.



Example 4.8

James works for a direct motor insurer. He makes an unsolicited telephone call to Sarah, an existing customer, at 5.15pm on Saturday. He introduces himself by name, states the firm he represents and explains that he is calling about the renewal of Sarah's motor policy. He also advises Sarah that the call is being recorded and asks whether she wishes to proceed.

James has complied with the CPC 2025 requirements. He made the call at a permitted time and observed the required content and sequence of actions.

B3 Distance selling

Distance selling refers to the sale of financial products or services without face-to-face contact such as via:

- Telephone and email sales
- Online application processes
- Digital financial product sign-ups.

The CPC 2025 and **EC Distance Marketing of Consumer Financial Services Regulations 2004** and **2005** (Distance Marketing Regulations) protect consumers who buy financial services at a distance.⁹⁵



Just think

Since distance selling lacks face-to-face interaction, list the additional safeguards that should be in place to ensure consumers make informed decisions.

Under Distance Marketing Regulations, firms must ensure that consumers receive the following before agreeing to any service:

- Clear pre-contractual information
- A transparent breakdown of costs, benefits and potential risks
- A mandatory **cooling-off period**, allowing them to cancel without penalty (14 calendar days from the contract date).⁹⁶

⁹⁴ Regulation 114, CPR 2025.

⁹⁵ Note: Under the **EC Distance Marketing of Consumer Financial Services Regulations 2004**, a 'consumer' (in relation to a distance contract for the supply of a financial service) means a natural person and, unlike the CPC 2025, does not include a partnership, club, charity, trust or other (un)incorporated body.

⁹⁶ Note: Under the **EC Distance Marketing Regulations**, life assurance or personal pension plans have a cooling-off period of 30 calendar days, while a travel or baggage insurance policy or an insurance policy under which insurance cover is provided for less than 1 month, does not have a cooling-off period at all.



distance selling

a contract under which a supplier undertakes to supply a financial service to a consumer under an organised distance sale or service-provision scheme operated by the supplier



cooling-off period

a period of time in which a consumer has the right to withdraw from an insurance contract without any penalty

Before completing a sale through distance selling, the Regulations specify that firms must provide the following minimum information to a consumer in writing and within a reasonable time, before they are bound by an insurance contract. This information includes details of the:

- Supplier
- Product
- Price
- Distance contract
- Relevant regulatory authority
- Cancellation rights
- Complaints process.

To align with ethical and regulatory expectations, firms and advisers must:

- Avoid aggressive sales tactics and pressure selling
- Ensure all verbal or digital contracts are recorded and documented
- Provide consumers with easy access to policy documents and cancellation options.

When a consumer enters into a distance contract, the method of communication (e.g. a phone sale) may not allow this information to be provided beforehand. Therefore, the insurer can supply the information to the consumer 'immediately after the contract is entered into'.

However, a consumer's rights under the Distance Marketing Regulations cannot be waived. Any term in a **distance contract for the supply of a financial service** is void if the term is inconsistent with the Regulations.



distance contract for the supply of a financial service

a contract under which a supplier provides a financial service to a consumer in an organised distance sale or service provision scheme operated by the supplier, making exclusive use of one or more means of distance communication



Quick question 2

State the mandatory cooling-off period for non-life general insurance contracts sold via distance selling.



information

that which is provided to a person, whether at the person's request or at the initiative of the firm, to assist the person in the choice of a retail financial product

Terms of Business Document

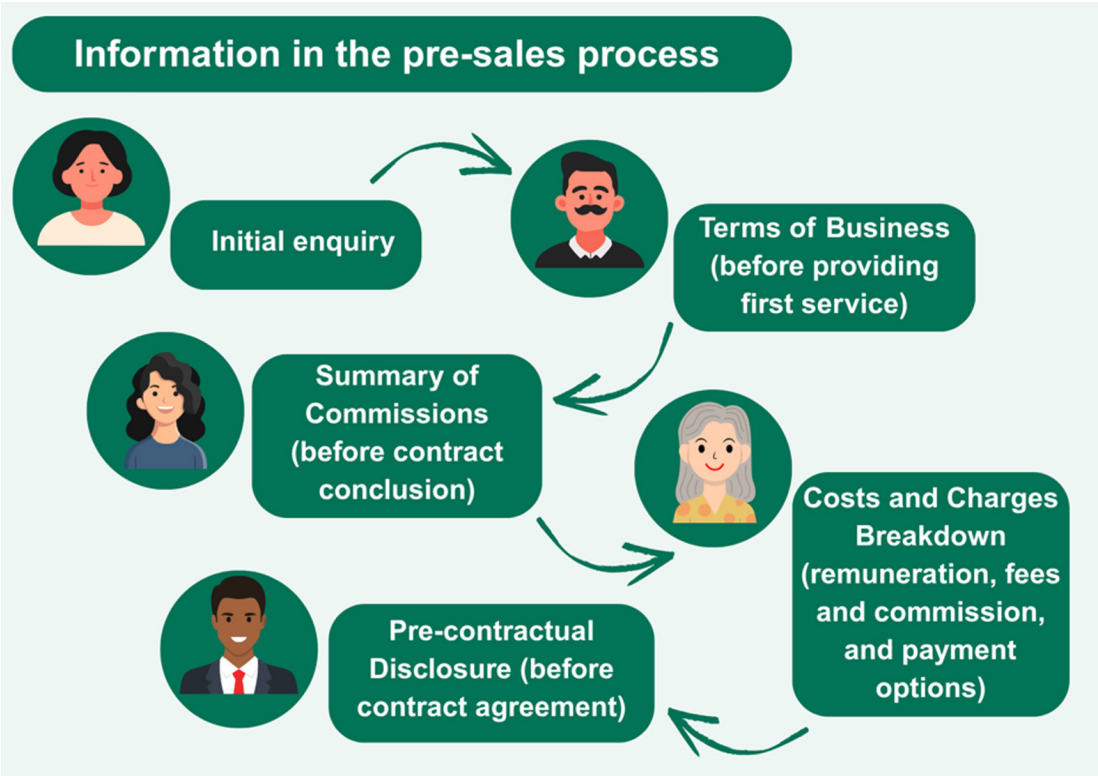
document in which a regulated entity/ firm sets out the basis on which it will conduct business with consumers

C What information does the consumer need to receive during the pre-sales process?

The CPC 2025 sets out the **information** a firm must provide to a consumer. This includes the **Terms of Business Document (TOB)** and specific information required at different stages of the advising process. Some rules regarding the provision of information are general in their application, whereas others are specific to particular products or sectors. We will now concentrate on those that apply to non-life insurance products.

Figure 4.2 provides a pre-sales consumer information checklist.

Figure 4.2 Required disclosures in the pre-sales process



C1 Informing effectively

Under the CPC 2025 (as in Extract 4.5), firms must move beyond simply presenting information to ensuring that consumers genuinely understand the information provided and can make informed decisions.

4.5

Extract Standards for Business

A regulated entity shall at all times ensure that all information it provides to customers is presented in a way that informs the customer effectively.⁹⁷

This approach is referred to by the Central Bank as 'informing effectively'. It means that firms must adopt clear, accessible and meaningful communication strategies.⁹⁸

To 'inform effectively', firms must:

- Ensure that information is provided to a customer in such a way that the material features of the financial service in question can reasonably be understood by the customer
- Ensure that all information it provides to a customer is clear, accurate, up to date and written in plain language
- Avoid the unnecessary use of technical terms
- Provide information to a customer on a timely basis
- Bring key information to the attention of the customer.⁹⁹

Examples of how firms would do this include ensuring that:

- The names of financial services are not misleading about the nature of benefits
- Warning statements are prominent
- Technical terms are explained
- Key information is presented clearly and written information is in an appropriate font size
- A Terms of Business Document is provided (see Section C2)
- The consumer is given all the key information, along with the terms and conditions
- Consumers are advised at the outset if calls are being recorded.

Firms should actively review and refine their customer-facing materials to align with the CPC 2025's focus on transparency and accessibility. Firms must conduct periodic (regular) assessments to evaluate the effectiveness of disclosures, ensuring that consumers are truly informed rather than simply provided with documentation.

C2 Terms of Business

Under the CPC 2025, a firm must provide each consumer with a Terms of Business (TOB) document before offering its first regulated service. This requirement supports the Central Bank's broader consumer protection objective: to ensure that consumers are empowered to make informed decisions and understand the nature and scope of the service being provided.¹⁰⁰

Extract 4.6 shows the minimum requirements for the TOB, but firms may include additional information if needed.

⁹⁷ Regulation 4(1)(e), **Standards for Business Regulations 2025**.

⁹⁸ Chapter 5, **Consumer Protection Regulations 2025**.

⁹⁹ Chapter 9, **Standards for Business Regulations 2025**.

¹⁰⁰ Regulation 51, CPR 2025.



fair analysis of the market

providing services on the basis of a sufficiently large number of contracts and insurers available on the market to enable the intermediary to make a recommendation, in accordance with professional criteria regarding which contract would be adequate to meet the consumer's needs (CPC 2025)

complaint

an expression of grievance or dissatisfaction by a consumer, either orally or in writing, in connection with:

- the provision, or offer of provision, of a product or service to a consumer by a regulated entity
- the failure or refusal of a regulated entity to provide a product or service to a consumer

compensation scheme

a statutory or voluntary scheme that makes payments to affected persons (subject to limits and eligibility criteria) following the failure of a financial service provider

Summary of Commissions (document)

a summary of the details of all arrangements for any fee, commission, other reward or remuneration paid or provided to an intermediary as agreed with an insurer

4.6

Extract Consumer Protection Regulations 2025, Regulation 52 (CPC 2025)

A regulated entity must draw up its TOB document and provide each consumer with a copy *before* providing the first service to that consumer.

The TOB must set out the basis on which the firm provides its regulated activities and must include at least the items outlined in Figure 4.3.¹⁰¹

Figure 4.3 Terms of Business document¹⁰²

Terms of Business

- ☐ The legal name, trading name(s), address and contact details of the firm and the name of the group to which it belongs (if any)
- ☐ Confirmation that the firm is authorised, licensed or registered, and the name of the competent authority, e.g. the Central Bank or another European regulatory authority
- ☐ A statement that it is subject to the Central Bank Codes of Conduct, which offer protection to consumers and that the codes can be found on the Central Bank website (www.centralbank.ie)
- ☐ A description of the regulated activities carried out
- ☐ If the firm acts as an intermediary, a statement on whether it provides a fair analysis of the market or a limited analysis of the market and informs the consumer as to the nature and distinction between these forms of analysis
- ☐ If the firm is tied for any of the regulated activities it provides, the name(s) of any financial services and regulated entity to which it is tied
- ☐ A general statement of the fees imposed directly, e.g. charges for making changes to a policy, issuing duplicate documentation or for other services such as risk management or claims assistance
- ☐ A summary of the firm's policy on conflicts of interest, usually a statement of intent that the firm will seek to avoid any conflict of interest when providing business services and if unavoidable, will advise the client of this in writing beforehand (see Appendix 1, Chapter 3 for a sample conflict of interest policy)
- ☐ An outline of what will happen in the event of default by the consumer, normally to state that any failure to pay premiums due will result in policy cancellation or incurring a late-payment charge
- ☐ A summary of the firm's complaints procedure (see Chapter 7B)
- ☐ If a member of a statutory compensation scheme, the nature of the scheme and the level of protection it provides (see Chapter 7D)
- ☐ The effective date of the TOB Document and confirmation that it remains up to date

While the TOB is a regulatory requirement, it is also one of the first opportunities a firm has to build trust and demonstrate its commitment to transparency and ethical conduct. This sets the tone for the relationship and helps manage expectations from the outset.

¹⁰¹ Regulation 52, CPR 2025.

¹⁰² The CPR 2025 definition of 'fair analysis of the market' is very similar to, and has the same intention as, the **Insurance Distribution Regulation 2018** definition of 'fair and personal analysis of the market'.

Under the CPC 2025, intermediaries must provide consumers with a **Summary of Commissions**. This document outlines any fees, commissions or rewards the intermediary receives from insurers (**product producers**). It ensures that consumers understand how the intermediary is being remunerated (paid) and its impact on product recommendations. The document must be provided before the conclusion of a contract (Example 4.9) and in a format that is easily accessible to the consumer, usually in the intermediary's public offices or on its website. Where appropriate, the Summary of Commissions may be included as part of the TOB document.

Intermediaries are also required to retain records showing that they have met their disclosure obligations. This transparency supports the Central Bank's objective of informed consumer decision-making and helps to build trust in the advice and services provided.¹⁰³



Example 4.9

Mark is reviewing his motor insurance after buying a new electric car. He contacts Shay, his long-time broker at AllGood Insurance Brokers, for help in finding a policy that suits his needs, including cover for commuting, occasional business use and a charging unit at his home.

Before discussing quotes or products, Shay explains that he must first provide Mark with the firm's TOB. This document outlines:

- The types of insurance services Shay can offer
- Shay's authorisation and regulatory status
- How Shay is paid (fees and commissions)
- Other important information about consumer rights and responsibilities.

Mark, who is comfortable with email but likes to review documents in his own time, receives the TOB the same afternoon. He reads through it before their scheduled call the next day, where they discuss his specific needs and potential motor insurance policies.



product producer

any regulated entity/firm that produces, manufactures or packages a product of a financial or investment nature, and is not limited to a product producer as defined in the **Investment Intermediaries Act 1995**



Quick question 3

State when a firm must supply a Terms of Business Document to a consumer.

C3 Information about remuneration

Before entering into any financial or insurance agreement, consumers must have a clear understanding of the costs involved. Transparency in remuneration (how the intermediary is paid) ensures that consumers can make informed decisions about the products and services they purchase. It also fosters trust between consumers and intermediaries, preventing potential conflicts of interest that could arise from undisclosed commissions or brokerage fees.



Just think

How are intermediaries paid?

¹⁰³ Regulation 32, CPR 2025.



non-monetary benefit

a benefit that is capable of enhancing the quality of the service provided to a consumer, if the scale/nature of the benefit does not impair compliance with a firm's duty to act in the best interest of the consumer

Intermediaries are paid or remunerated by:

- Receiving a commission from the insurer for arranging an insurance policy, and/or
- Charging the consumer a brokerage fee, e.g. an administration fee paid for amending a policy mid-term.

Under the CPC, no remuneration received should impair compliance with the firm's:

- Duty to act honestly, fairly and professionally in the best interests of the consumer
- Obligation to satisfy the conflict of interest requirements
- Obligation to satisfy suitability requirements.¹⁰⁴

A firm must take reasonable steps to ensure that staff do not offer, give or accept any gifts or rewards (monetary or otherwise) that create a conflict with any duty to the consumer.¹⁰⁵ Under the CPC 2025, **non-monetary benefits** are allowed only if they enhance the quality of the service to the consumer. Examples of such non-monetary benefits would include training courses or conferences arranged by the insurer for intermediaries to attend.¹⁰⁶

The CPC 2025 and the **Insurance Distribution Regulations 2018** (IDR) set out specific obligations for intermediaries and firms regarding the disclosure of fees and commissions. These requirements ensure that consumers understand who is being paid, how they are being paid and what impact (if any) these payments have on the consumer's cost.

C3a What information must be provided about intermediary remuneration?

Intermediaries are often compensated (or remunerated) through commission payments, brokerage fees or a combination of both. To ensure transparency, the CPC 2025 requires that intermediaries disclose how they are paid. For example, where an intermediary receives remuneration from an insurer, they must provide consumers with a Summary of Commissions document (see Section C2), detailing the basis of the remuneration and the nature of the service to be provided.¹⁰⁷

This disclosure relates to:

- The amount or percentage of remuneration they receive
- The type of remuneration, such as:
 - Sales commission (a percentage of the premium paid)
 - Volume-based bonuses (based on the total business placed with a particular insurer)
 - Details of any other agreed fees, administrative costs or non-monetary benefits (e.g. training, hospitality, gifts), including those unrelated to the intermediary's individual sales.

This must also include details of any clawback provisions, i.e. where commission paid to the intermediary may be reclaimed by the insurer if the policy is cancelled within a certain period.

¹⁰⁴ Regulation 21, CPR 2025.

¹⁰⁵ Regulation 29, CPR 2025.

¹⁰⁶ Regulation 54, CPR 2025.

¹⁰⁷ Regulation 31, CPR 2025.

If an intermediary allows a consumer the option of paying for its services by means of a brokerage fee, they must explain this option and the amount of the fee to the consumer in advance (as illustrated in Example 4.10). If an intermediary charges a fee and also receives commission, they must explain to the consumer (in advance of such a fee being charged) whether or not the commission will be offset against the fee (either in part or in full).¹⁰⁸



Example 4.10

Samuel, a 39-year-old self-employed landscape gardener living in Dundalk, contacts Shay at AllGood Brokers following a recommendation from his friend Mark. He is looking for a comprehensive commercial insurance package.

After reviewing Samuel's needs, Shay recommends a tailored tradesman's policy that includes cover for tools, hired plant, public liability and business interruption. The insurer pays a €250 commission to the broker if the policy is taken out.

Because this is a more complex case involving risk assessment and coordination with multiple insurers, Shay also proposes a €75 brokerage (service) fee for the additional work and advice that he will be providing.

Under the CPC 2025, Shay must clearly tell Samuel that he (Shay):

- Will receive €250 in commission from the insurer
- Is going to charge a €75 fee in addition to the commission.

Shay must provide Samuel with a written explanation outlining both sources of remuneration.

Samuel appreciates the transparency, especially after his previous insurer hadn't provided such details. Knowing the full cost of the advice upfront helps Samuel to make an informed decision.



Quick question 4

State what an intermediary must provide to the consumer if they receive commission from an insurer.

¹⁰⁸ Regulation 33, CPR 2025.

C3b What information must be provided about costs to the consumer?

When providing a consumer with information about an insurance product or financial service, intermediaries and insurers must provide written information about all costs that will be passed on to the consumer. Examples of these costs would include brokerage fees, mid-term adjustments, issuing duplicate documentation, minimum premiums and setting up premium finance facilities.

The following must be disclosed:

- Total cost – the full price of the product, including all fees and commissions
- Breakdown of costs – including any additional costs, such as:
 - policy administration fees
 - commission received by the intermediary
 - fees for optional add-ons, e.g. legal expenses cover, roadside assistance
 - fees for mid-term policy adjustments
 - cancellation fees
 - renewal fees
- Method of payment – information on how the consumer can pay, including:
 - instalments versus lump sum payments
 - any additional costs for using certain payment methods, e.g. direct debit fees, finance options
- Potential future costs – any circumstances under which the consumer may incur additional fees, such as penalties for missed payments or changes in policy terms.¹⁰⁹

A full schedule of such fees and costs must be presented in a clear and accessible manner before the consumer enters into a contract.

Where a consumer chooses to spread the cost of their insurance premium by paying via a third-party finance provider (e.g. a premium finance facility), they should be clearly informed that they are entering into a separate credit agreement. Any additional interest, fees or administration charges linked to this arrangement must be disclosed in advance.

¹⁰⁹ This breakdown is required under the CPC 2025, particularly Regulations 30–33 and 66–70, which require intermediaries to disclose all fees, commissions and associated costs in a clear, accessible and upfront manner prior to entering a contract.

C3c When and how must this information be provided?

Under the CPC 2025, disclosures to consumers relating to remuneration and costs (how they are paid) must be made at key stages in the process.

Before a consumer enters into a financial services contract, an intermediary must:¹¹⁰

- Bring the Summary of Commissions to the consumer's attention before the contract is concluded and make it available on their website or, if no website is maintained, in their public office
- Provide a written breakdown of all costs including commissions, fees and third-party charges before the consumer is bound by the contract
- Disclose any ongoing remuneration (e.g. if an intermediary is to receive continuing commission or payment from an insurer), and explain clearly the nature of the service being provided in return.

To meet the CPC 2025 requirements for transparency, all remuneration-related disclosures must be provided on a durable medium, either in writing or electronically.¹¹¹

If a consumer is given the option to pay a fee (e.g. a service fee or brokerage charge) and the firm also receives commission from an insurer, the intermediary must clearly explain:

- The basis and amount of the fee
- Whether the commission is offset against, or in addition to, the fee.¹¹²

While the CPC 2025 does not prescribe specific formats for proof of remuneration disclosure, firms must keep records that demonstrate overall compliance with the CPC 2025. This includes:

- Copies of any communications provided to the consumer outlining commissions or fees
- Records of what was made available on paper or online.¹¹³

These records must be accessible, secure and retained for a minimum of 6 years.¹¹⁴



Quick question 5

Outline how a Summary of Commissions document enhances consumer transparency.

¹¹⁰ Regulations 32; 66; 31, CPR 2025.

¹¹¹ Regulation 66, CPR 2025.

¹¹² Regulation 33, CPR 2025.

¹¹³ Regulations 115 and 118, CPR 2025.

¹¹⁴ Regulation 117, CPR 2025.



conflict of interest

a situation or circumstance that might lead a firm/individual to take a course of action that is not necessarily in the best interest of their client, but favours the firm/individual

C3d Conflicts of interest

In Chapter 3B1a, you learned about **conflicts of interest**. These are particularly relevant in terms of remuneration.

Under the CPC 2025, firms must avoid conflicts of interest relating to:

- Fees, commission, rewards or remuneration linked to the achievement of targets that do not consider the consumer's best interests, i.e. targets based on volume of business placed or bonus payments linked to business retention
- Agreements under which the firm receives a fee, commission, reward or remuneration in the form of goods or services, in return for which it agrees to direct business through, or in the way of, another person.¹¹⁵

With this in mind, a firm must not structure its remuneration arrangements with employees in such a way as to incentivise employees to provide, arrange or recommend a product or service to a consumer in a way that could be inconsistent with the firm's obligations to act in the best interests of consumers and satisfy suitability requirements.¹¹⁶

The CPC 2025 offers guidance on how certain conflicts of interest are to be managed. However, in relation to conflicts of interest relating to remuneration mentioned above, the CPC notes that there are no circumstances in which such conflicts are permitted to be managed.¹¹⁷



Just think

Explain how full disclosure of commission payments improves consumer confidence in financial services or how an undisclosed commission payment could cause a conflict of interest in the pre-sales process.

Full disclosure of commission payments builds confidence and reflects an honest and transparent relationship, all of which leads to greater consumer confidence in the adviser, firm and financial system. An undisclosed commission payment could influence an adviser's recommendation without the consumer realising it. For example, if one insurer offers a higher commission than another, an adviser might be tempted to recommend that product, even if it's not the best fit for the consumer. This would create a conflict of interest because the adviser's remuneration would be put ahead of the consumer's best interests, undermining trust and potentially breaching the CPC 2025.

¹¹⁵ Regulation 23, CPR 2025.

¹¹⁶ Regulation 27, CPR 2025.

¹¹⁷ Regulation 22(1), CPR 2025.

D

Summary

This chapter covered the insurance pre-sales process, ensuring compliance with regulations relating to advertising, provision of information and remuneration. It highlighted how these measures are designed to promote compliance and protect consumers.

D1 What's next?

Chapter 5 focuses on the sales process in insurance. It examines the role of the insurance adviser and how they get to know the consumer and establish suitability. It explores the process by which information is gathered from, and provided to, the consumer.

D2 Study tips

It is important to remember that this textbook is the primary information source for this module. All the questions in your exam will relate directly to information featured in the textbook. Use the 'End-of-chapter questions', 'Quick questions' and the 'Sample multiple-choice questions' to quickly test what you've learned so far. Make a note of any topics/areas you need to improve in and keep it to hand so you can refer to it when you revise this chapter again before your exam.

D3 Online learning supports

In addition to the textbook, the Institute's learning platform (which can be accessed via your Member Area on www.iii.ie) has many online learning supports that can help you as you study this module. These include a Guide to Success, microlearning resources and study tips guide. These learning supports are invaluable in reinforcing what you have learned from the textbook so far. The interactive study chapters, chapter-by-chapter key points and other supports will help you to break down the chapter content when revising.

Completing online mock exams and reviewing the personalised feedback that follows is a great way of testing your knowledge and preparing for exam day.



End of chapter questions

Use these questions to test your understanding of what we've covered in Chapter 4.

1. State the purpose of including a regulatory disclosure statement in all advertisements.

2. State how the CPC 2025 regulates advertising and promotional materials in financial services.

3. Define a 'consumer in vulnerable circumstances' under the CPC 2025.

4. Identify what an adviser must do before accepting instructions from someone acting under Power of Attorney on behalf of a consumer.

5. Outline the sequence of disclosures an adviser must provide when making telephone contact with a consumer.

6. List four items of pre-contract information that must be provided to consumers under the **EC Distance Marketing of Consumer Financial Services Regulations**.

7. Explain what is meant by 'informing effectively'.

8. Explain the role played by the Terms of Business Document in promoting consumer understanding and confidence.

9. List five pieces of information that must be included in a Terms of Business Document between a consumer and an intermediary.

10. Outline the regulatory requirements for an intermediary when disclosing remuneration.

Answers to end of chapter questions

Check your answers against those below and make a note of any points you left out. This will highlight some sections you may need to look at more closely during your revision.

1. The disclosure statement confirms the firm is authorised and regulated by the Central Bank of Ireland (or relevant authority). This provides consumer confidence that the firm operates under a recognised regulatory framework and provides a level of consumer protection.
2. CPC 2025 requires all marketing materials to be clear, fair, accurate and not misleading. Warning statements must be prominent and firms cannot downplay risks or exaggerate benefits.
3. Under the CPC 2025, a consumer in vulnerable circumstances means a natural person whose personal circumstances, whether permanent or temporary, make them especially susceptible to harm, particularly where a firm is not acting with the appropriate levels of care.
4. The adviser must:
 - Obtain a certified copy of the Power of Attorney.
 - Verify the legal scope of the representative's authority.
 - Ensure full compliance with the Power of Attorney's legal limitations.
5. The adviser (representative of a regulated entity/firm) must immediately and in the following order:
 - a. Identify themselves by name, the name of the firm and the commercial purpose of the contact
 - b. Inform the consumer if the phone call is being recorded
 - c. Where relevant, disclose to the consumer the source of the business lead or referral
 - d. Establish if the consumer wishes to proceed, and if not, end the contact immediately and record the fact.
6. Any four of the following items of pre-contractual information:
 - Supplier
 - Product
 - Price
 - Distance contract
 - Relevant regulatory authority
 - Cancellation rights
 - Complaints process.
7. Under the CPC 2025, 'informing effectively' means that firms must move beyond simply presenting information and instead, ensure that consumers genuinely understand the information provided and can make informed decisions. For this purpose, firms must adopt clear, accessible and meaningful communication strategies. Information provided must be clear, accurate and not misleading.
8. The TOB helps consumers understand who they are dealing with, the nature of the services being offered and the firm's regulatory status. It promotes transparency by outlining fees, commissions, data use and complaints procedures. By receiving this information upfront, consumers are better equipped to make informed decisions and trust that the firm is operating under regulatory standards that protect their interests.

9. Any five of the following:

- The legal name, trading name(s), address and contact details of the firm and the name of the group to which it belongs (if any)
- Confirmation that the firm is authorised, licensed or registered, and the name of the competent authority, e.g. the Central Bank or another European regulatory authority
- A statement that it is subject to the Central Bank Codes of Conduct, which offer protection to consumers and that the codes can be found on the Central Bank website
- A description of the regulated activities carried out
- If the firm acts as an intermediary, a statement on whether it provides a fair analysis of the market or a limited analysis of the market, and inform the consumer as to the nature and distinction between these forms of analysis
- If the firm is tied for any of the regulated activities it provides, the name(s) of any financial services and regulated entity to which it is tied for that financial service.
- A general statement of the fees imposed directly, e.g. charges for making changes to a policy, issuing duplicate documentation or for other services such as risk management or claims assistance
- A summary of the firm's policy on conflicts of interest, usually a statement of intent that the firm will seek to avoid any conflict of interest when providing business services, and if unavoidable, will advise the client of this in writing beforehand
- An outline of what will happen in the event of default by the consumer, normally to state that any failure to pay premiums due will result in policy cancellation or incurring a late-payment charge
- A summary of the firm's complaints procedure
- If a member of a statutory compensation scheme, the nature of the scheme and the level of protection it provides
- The effective date of the TOB Document and confirmation that it remains up to date.

10. An intermediary must disclose:

- The amount or percentage of remuneration they receive
- The type of remuneration, such as:
 - sales commission (a percentage of the premium paid)
 - volume-based bonuses (based on the total business placed with a particular insurer)
 - details of any other agreed fees, administrative costs or non-monetary benefits (e.g. training, hospitality, gifts), including those not related to the intermediary's individual sales.

Answers to Quick questions

1. Under the CPC 2025 every advertisement must:
 - Specify the full company and trading name of the firm
 - Be reviewed and updated regularly
 - Provide clear identification that it is an advertisement
 - Present key information and risks with equal prominence, avoid misleading design and only use small print or footnotes to supplement, not obscure, key details
 - Have warning statements (where applicable) displayed prominently
 - Include the firm's regulatory disclosure statement confirming its authorisation and regulation by the Central Bank.
2. The mandatory cooling-off period for non-life general insurance contracts sold via distance selling is 14 calendar days.
3. A firm must supply a Terms of Business (TOB) Document before providing the first service to a consumer.
4. A Summary of Commissions document detailing how they are paid and the nature of the service to be provided to the consumer.
5. A Summary of Commissions document enhances consumer transparency by:
 - Providing a clear breakdown of any fees, commissions or rewards an intermediary receives from insurers (product producers)
 - Ensuring consumers understand how intermediaries are remunerated
 - Making information publicly accessible, e.g. on the firm's website and in public offices
 - Avoiding potential conflicts of interest and allowing consumers to make informed decisions
 - Supporting compliance with the CPC 2025 requirements to promote fairness and integrity in financial services.



Sample multiple-choice questions

Note: In your exam you will be awarded +3 marks for every question answered correctly, –1 mark for every question answered incorrectly and 0 marks for every question you choose not to attempt. On the answer form you complete in the exam, you will be required to choose from options A, B, C, D or E. Options A-D correspond with a possible answer to the question, while selecting Option E confirms that you are choosing not to attempt the question. When you attempt the mini-mock and full mock exam papers available on the Institute's online learning platform, this marking system is applied to allow you to prepare for your exam.

1. Jetson, an incorporated body, has an annual turnover of €5.5 million. By what **minimum** amount, if any, would Jetson's turnover need to decrease for it to be treated as a 'consumer' under the Central Bank Consumer Protection Code?

- A. Nil
- B. €500,000
- C. €1 million
- D. €2.5 million

Your answer:

☐

2. A person with a power of attorney is defined as a person:
- A. given statutory authorisation to represent an individual person in any dealings with the Central Bank.
 - B. appointed to represent individuals who have made a complaint under the Consumer Protection Code.
 - C. appointed to represent a personal consumer under the Consumer Protection Code
 - D. given statutory authorisation to act on behalf of another individual in either all or specified legal or financial matters.

Your answer:

☐

3. Under the Central Bank Consumer Protection Code, for a firm to avoid conflicts of interest with respect to gifts and hospitality, it must ensure that:
- A. effective information barriers are in place between the firm and its connected parties
 - B. its employees or agents never offer, give, solicit or accept any gifts or rewards
 - C. non-monetary benefits are only allowed if they enhance the quality of the service to the consumer
 - D. its agents introduce a certain level of business from consumers in order to retain an appointment.

Your answer:

☐

Answers to sample multiple-choice questions

Question 1

Chapter reference: Chapter 4B

Question type: A

Correct response: B

Learning outcome: Describe and apply the relevant Consumer Protection requirements in the pre-sales process.

Question 2

Chapter reference: Chapter 4B1d

Question type: K

Correct response: D

Learning outcome: Describe and apply the relevant Consumer Protection requirements in the pre-sales process.

Question 3

Chapter reference: Chapter 4C3

Question type: U

Correct response: C

Learning outcome: Outline the scope and purpose of the information to be provided to the consumer in the pre-sales process.

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What is the insurance sales process?

What to expect in this chapter

This chapter provides details on the sales process focusing on the:

- Scope of an insurance adviser's role
- Process by which you get to know your consumer and identify a suitable insurance solution
- Product information that must be provided to the consumer at this stage to comply with regulatory obligations
- Process by which quotations are generated
- Methods used by underwriters to gather information from insurance clients.

The sales process in insurance is more than just providing a quotation or finalising a policy. As mentioned already, it is a journey guided by regulatory requirements, best practice and ethical standards.

This chapter explores the regulatory requirements relevant to this stage of the journey. As Figure 5.1 shows, the sales process includes gathering information so that you know the consumer and establish suitability, providing the necessary product and regulatory information, offering them a quotation and managing the insurance documentation.

Figure 5.1 The insurance sales process



This chapter considers the sales process from the perspective of an adviser involved in insurance distribution. Whether the adviser works for an insurer and advises on the insurer's products only, or works as an intermediary that advises on a range of products across the insurance market, the requirements in this chapter apply so as to ensure that all customers have good outcomes.

Learning outcomes for this chapter

Section	Title	At the end of each section you should be able to:
A	What is the scope of an insurance adviser's role?	Differentiate between the types of insurance advisers in the Irish insurance market.
B	How do we get to know the consumer and establish suitability?	Explain the regulatory requirements related to knowing the consumer and assessing the suitability of insurance products.
C	What information must we provide to the consumer during the sales process?	Explain the regulatory requirements related to providing accurate quotations, policy terms and information during the sales process.
D	What are the procedures surrounding quotations?	Identify and apply the procedures, including the regulatory requirements, relevant to general (non-life) insurance quotations.
E	How do we gather information from the consumer?	Explain the purpose, content and impact of regulatory requirements on the gathering of underwriting information, in order to assess risks and make underwriting decisions.

A

What is the scope of an insurance adviser's role?

The role of an insurance adviser is central to ensuring that consumers receive the right advice and products that meet their needs. The sales process is more than just incepting insurance policies. It involves assessing consumer needs and preferences, providing sound and transparent advice, ensuring suitability and complying with regulatory obligations at every stage.

Remember the CPC 2025 Standards for Business that require a firm to 'act in the best interests of customers and treat them fairly and professionally'.¹¹⁸ An equivalent requirement is imposed by the **Insurance Distribution Regulations 2018** (IDR).

The IDR and the CPC 2025 form a framework designed to protect consumers. Insurance advisers must operate within this framework at each stage of the insurance process, whether advertising, advising, recommending or arranging a policy.

As an example, high-pressure tactics cannot be used. Consumers must be given time to review policy terms so that they fully understand the features, benefits and risks of a policy before purchasing.



Just think

When Sarah is reviewing home insurance options, she hesitates over several optional extras, including cover for accidental damage, home emergency assistance and specified items like her engagement ring. Shay recognises that this is a lot of information to absorb in one sitting. Instead of rushing her into a decision, he provides a short, easy-to-understand written summary of the optional covers and their costs, and encourages Sarah to take her time before making a decision.

Mark is expanding his IT business and meets with Shay to review his business insurance needs. While the basic policy covers public and employers liability, Shay outlines optional extras such as cyber cover, business interruption insurance and cover for client data. Mark is unsure which of these are relevant, especially as he works remotely and stores sensitive data. Shay provides a written summary of each optional cover, including examples of how each one might apply to a business like Mark's. He invites Mark to take a few days to consider the options and offers to follow up, in order to address any questions. This approach gives Mark the time and clarity he needs to make the right decision for his growing business.



Quick question 1

State the primary duty of an insurance intermediary in the sales process.

The answer is at the end of this chapter.

¹¹⁸ Regulation 4, **Standards for Business Regulations 2025**.



advice

a personal recommendation to a person, whether at their request or at the initiative of the firm, in the course of performing a relevant (controlled) function

A1 Basis of advice

Intermediaries' responsibilities depend on the type of service they provide. Under IDR, intermediaries must disclose whether they are offering their **advice** and recommending products, based on:¹¹⁹

- A fair and personal analysis of the market – viewing a sufficiently large number of providers to enable a representative view of the market
- A limited analysis of the market – viewing only a restricted number of providers
- A tied intermediary arrangement – being tied to a single insurer for a product or service. Such an intermediary may act under the direction of one or more insurers for products that are not in competition.

Some intermediaries offer advice based on a fair and personal analysis of the market for some products and services, and use a limited analysis of the market for others. This must be stated clearly in the Terms of Business Document.

Under the CPC 2025, an intermediary may only use the term 'independent' (in its legal name, trading name or any other description) if:

- The intermediary's regulated activities are conducted on a fair and personal analysis of the market¹²⁰
- The intermediary does not receive a fee, commission or other remuneration in respect of advising on regulated products, apart from charging a fee to the consumer.¹²¹



Just think

Nora is 25 and has recently bought her first car. She's renting in Tipperary and working full-time as a physiotherapist. As she is not confident about comparing insurances on her own, she asks a local broker to help arrange her motor insurance.

The broker uses a small selection of insurers to obtain a quote for Nora and she, trusting the broker's advice, agrees.

Would it be acceptable for this broker to claim that they have made a 'fair and personal analysis of the market'?

The term 'sufficiently large' (as contained in the definition for 'fair and personal analysis') is determined by the type of contract and number of providers in the market. For example, there are many more insurers offering motor insurance than legal expenses insurance. It is therefore not permissible to only consider a very small selection of motor insurers when claiming a fair and personal analysis.

¹¹⁹ Regulations 54, and 56–58, CPR 2025.

¹²⁰ Regulation 54 (2), CPR 2025.

¹²¹ Regulation 54 (3), CPR 2025.

It is important to note that under the **Insurance Distribution Directive 2016** and **Insurance Distribution Regulations 2018**, some firms are classified as **ancillary insurance intermediaries**. These are businesses whose main activity is not insurance (e.g. car rental companies or electronics retailers), but who offer insurance products directly linked to their goods or services, such as excess waivers or extended warranties. Like all intermediaries, an ancillary insurance intermediary must inform consumers of the basis on which the advice is being offered and the identity of the insurer and product to which it is tied.¹²²

The **Terms of Business Document** (see Chapter 4C2) outlines the general basis on which the firm provides advice.¹²³ But for each transaction, the Statement of Suitability specifies the basis of that particular recommendation and explains why the selected product is suitable for the consumer's needs.

Regardless of the type of intermediary, consumers must be made aware of the extent of the market search being undertaken before they purchase a policy. This is another example of the Central Bank's focus on informing consumers effectively (see Chapter 4C1) and on promoting transparency and trust. Misrepresenting the scope of an intermediary's advice could lead consumers to believe they are receiving recommendations based on the whole market when they are not.



ancillary insurance intermediary

a person or firm whose principal professional activity is not insurance distribution, but who provides only insurance products that are complementary to their principal professional activity

Terms of Business Document

document in which a regulated entity/firm sets out the basis on which it will conduct business with consumers

¹²² Article 2(1)(6), **Insurance Distribution Directive 2016**; Regulation 4, **European Union (Insurance Distribution) Regulations 2018**.

¹²³ Regulation 52(g), CPR 2025.

B

How do we get to know the consumer and establish suitability?

The CPC 2025 looks at the type of information an adviser must gather in order to 'know your consumer' (KYC). Knowing the consumer and their needs is key to an adviser being able to recommend suitable products or services.

This section introduces the reasons for, and regulatory requirements surrounding, the process of getting to know the consumer, which is undertaken before the adviser offers the consumer an insurance product.

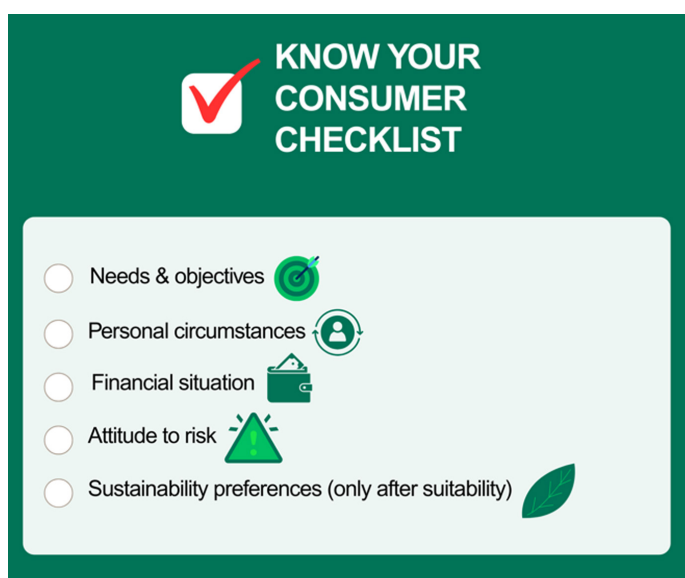
B1 Why is it important to 'know your consumer'?

The CPC 2025 requires that a firm gathers and keeps a record of sufficient information from a consumer before offering, recommending, arranging or providing a financial service.

This information is shown in Figure 5.2 and will include information on the consumer's:

- Needs and objectives
- Personal circumstances
- Financial situation
- Attitude to risk (where relevant)
- Sustainability preferences.¹²⁴

Figure 5.2 Know your consumer checklist



The graphic is a checklist titled "KNOW YOUR CONSUMER CHECKLIST" with a red checkmark icon. It lists five items, each with a radio button and an icon:

- ☐ Needs & objectives (Target icon)
- ☐ Personal circumstances (Person icon)
- ☐ Financial situation (Wallet icon)
- ☐ Attitude to risk (Warning triangle icon)
- ☐ Sustainability preferences (only after suitability) (Leaf icon)

¹²⁴ Regulation 16, CPR 2025.

The KYC process supports the delivery of a professional service and protects the consumer from potentially being offered products that do not meet their needs. Example 5.1 illustrates this in action.



Example 5.1

When Mark and Sarah O'Connor visit their insurance broker (Shay) in Dublin city centre, they are a bit frazzled. Traffic was bad and they have a lot on their minds. With two children, a mortgage and both working full-time, they need home and car insurance that gives them peace of mind, without breaking the bank. Aside from comparing prices, they need help in understanding what level of cover is suitable, what exclusions might apply and how different insurers treat risks like occasionally working from home or having a flat roof.

This first meeting is a critical step in the sales process. The meeting is not just about gathering data; it is about building trust, clarifying needs and making sure that any advice provided is truly appropriate. Under the CPC 2025, Shay is required to complete a thorough KYC assessment, before recommending a product or service. This ensures that the recommendation is not only compliant but is tailored to the O'Connor's personal and financial circumstances.

For example, Shay needs to understand whether Sarah, as a secondary school teacher, has cover for personal items like laptops and mobile phones used for work at home. He needs to understand that Mark, who works as an IT project manager, occasionally travels for work and so needs motor insurance that covers business use. These details directly affect the level and type of cover the O'Connor's need.

By taking the time to ask clear and relevant questions about their lifestyle, future plans, income stability and even their tolerance for financial risk, Shay builds a full picture of what kind of protection is both necessary and financially manageable. The KYC process allows him to:

- Identify and prioritise risks
- Understand affordability and risk appetite
- Prevent mis-selling and future complaints
- Establish a professional and transparent relationship.

When consumers feel heard and understood, their confidence in both the process and the adviser increases. For the O'Connors, this meant that they left their meeting not only with tailored quotes, but with a sense that Shay was genuinely looking out for them. This is what good insurance advice looks like: not a quick transaction, but a thoughtful, professional service rooted in consumer protection and trust.

B2 How do you get to know your consumer?

To get to know the consumer, an adviser must engage in a thorough information-gathering process. This involves asking clear and relevant questions (see Section E which outlines the methods used). The type and depth of information required depends on the product or service involved.

For more complex financial products (e.g. life insurance, pensions or mortgage protection), advisers will typically gather detailed personal and financial information, such as income, debts, savings, employment status, dependents and future plans. For non-life insurance products like home or motor insurance, the information gathered may be less detailed, e.g. property use, driver history and specified items. The information gathered must be appropriate to the nature and complexity of the financial service sought and sufficient enough to provide a professional service.¹²⁵ The adviser must try to have the consumer certify the accuracy of the information provided.¹²⁶ This process should also include updating records if a consumer's situation changes over time.¹²⁷

In a situation where a consumer refuses to provide the required information, the adviser must let the consumer know that it does not have enough information to assess suitability and, as a result, cannot offer the consumer the product or service they seek.¹²⁸ For this reason, it is essential for the adviser to:

- Be aware of what represents sufficient information for the purpose of giving advice
- Carry through on this requirement precisely, if such information is not forthcoming.

B2a Sustainability preferences in advising

Environmental and sustainability considerations are playing an increasingly significant role in consumer decision-making, particularly when selecting financial products and services.

Many consumers are seeking insurance products that:

- Support green initiatives, e.g. coverage for electric vehicles, energy-efficient homes
- Invest in sustainable funds (for life and investment-linked products)
- Reduce carbon footprints, e.g. incentives for environmentally friendly behaviours.

Under the CPC 2025, advisers are required to gather information on a consumer's sustainability preferences where relevant.

However, it is important to note that, while information on sustainability preferences is gathered during the KYC process, the assessment of a product's suitability for a consumer at this stage must be based solely on the consumer's needs and objectives, personal circumstances, financial situation and, where applicable, their attitude to risk. This ensures that a consumer's sustainability preferences do not override the fundamental suitability criteria.

¹²⁵ Regulation 16(2), CPR 2025.

¹²⁶ Regulation 16(13), CPR 2025.

¹²⁷ Regulation 16(10), CPR 2025.

¹²⁸ Regulation 16(11), CPR 2025.

Once a suitable product or range of products has been identified (based on the consumer's needs, objectives and circumstances), the adviser should then determine whether any of those products align with the consumer's stated sustainability preferences (as shown in Case Study 5.1). If they do, this alignment must be clearly reflected in the Statement of Suitability, indicating how the chosen product meets the sustainability criteria expressed by the consumer.¹²⁹

However, where the product or service being sought does not have, and could not reasonably be expected to have, sustainability features, the adviser is not required to gather information on sustainability preferences or include any reference to them in the Statement of Suitability.¹³⁰

Case study 5.1

Sustainability

Mark tells Shay that he recently read about a new home insurance product that includes sustainability-linked features such as using only environmentally responsible repair suppliers and offering optional cover for eco-friendly home upgrades. He mentions that he and Sarah have invested in solar panels and heat pump technology and are trying to make greener choices in general, even if they cost a little more.

Shay has already assessed the couple's insurance needs and objectives, personal circumstances, financial situation and attitude to risk. Based on these, there are several products that would be suitable. One of them, while not the cheapest, includes the sustainability features that Mark and Sarah value.

Shay explores Mark and Sarah's sustainability preferences and they confirm that they are willing to choose a greener insurance product even if it is slightly more expensive, provided it still meets their needs.

In this case, Shay documents the couple's sustainability preferences, explains how the features of the greener insurance product meet the couple's preferences, and includes the rationale for his recommendation in the Statement of Suitability. He ensures that the couple understands how the product works and how its sustainability-linked elements are defined.

B2b Advising consumers in vulnerable circumstances

In Chapter 4B1, we learned about consumers in vulnerable circumstances.¹³¹ These consumers may require assistance to engage fully and fairly in the insurance process.

The CPC 2025 strongly emphasised the importance of proactive identification of vulnerability at the pre-sales stage. When gathering information about a consumer and their needs, advisers should consider whether there is any evidence of consumer vulnerability (as in Example 5.2).

¹²⁹ Regulation 18, CPR 2025.

¹³⁰ Central Bank of Ireland, 2025. *General Guidance on the Consumer Protection Code*, Section 3.3.4, March, www.centralbank.ie.

¹³¹ Regulation 81, CPR 2025.



Example 5.2

Mark contacts Shay (his insurance broker) to discuss a quotation for his motor insurance. During the call, Mark seems overwhelmed. He asks the same question twice and appears uncertain about what's included in his existing policy and the cover he requires. He's short on time and just wants 'whatever's easiest'.

Shay opens with the standard scripted questions but quickly notices Mark's tone is rushed and stressed. He struggles to recall past claims history and says he does not normally look after the insurance in their household.

When Shay checks with Mark if everything is okay, Mark explains that his father-in-law, Tom, was recently involved in a minor car crash while collecting Mark's two children from school. Tom is in hospital with minor injuries. The children are okay, just a bit frightened. Mark is trying to deal with the insurance company and the hospital, while juggling work deadlines and school runs. Shay identifies a possible temporary vulnerability and makes a note to proceed with enhanced support and care.

Shay simplifies the questioning process by using closed-ended questions and rephrasing queries in plain language. For example, instead of asking 'What kind of bonus protection would you like?', he asks, 'Would you like to include a section on the policy that protects your no-claims bonus if there's an accident?'

Firms must provide consumers in vulnerable circumstances with any ongoing reasonable assistance that may be necessary to facilitate their dealings with the firm.¹³²



Just think

Outline what reasonable assistance could be offered to ensure fair treatment of consumers in vulnerable circumstances.

Advisers should:

- Take reasonable steps to identify a consumer who may be in vulnerable circumstances
- Provide whatever reasonable assistance the consumer needs, such as to:
 - allow extra time for decision-making
 - offer to temporarily pause meetings/calls or schedule a follow-up
 - suggest an alternative service channel, e.g. an adviser in a call centre suggesting that the consumer visit an insurance intermediary in their local area
 - adapt the communication method, e.g. a Zoom call instead of a phone call
 - provide policy documentation in a more accessible format
 - simplify language and avoid jargon
 - check to ensure understanding throughout the process
 - ensure premises are physically accessible

¹³² Regulation 34, CPR 2025.

- Ensure the consumer is aware of the option of nominating a Trusted Contact Person (see Chapter 4B1d)
- Ensure that consumers in vulnerable circumstances are not pressured or misled when purchasing financial products.

Table 5.1 outlines some examples of actions that advisers can take to provide practical assistance to consumers in vulnerable circumstances.

Table 5.1 Practical assistance for consumers in vulnerable circumstances		
Situation	Possible vulnerability	Practical assistance
A client sounds confused or repeats questions.	Cognitive overload Age-related decline	<ul style="list-style-type: none">• Slow down the pace of the conversation.• Offer to send a written summary.• Suggest a follow-up call.
The client is recently bereaved or emotionally distressed.	Stressful life event that may reduce decision-making capacity	<ul style="list-style-type: none">• Pause or reschedule the meeting/call.• Confirm whether someone else can support the discussion, e.g. a Trusted Contact Person.
A consumer repeatedly says, 'I don't understand.'	Low literacy Unfamiliarity with insurance matters	<ul style="list-style-type: none">• Avoid jargon.• Use plain language.• Use open questions to check for understanding.
The customer insists on in-person meetings only.	Discomfort with technology Hearing/vision limitations	<ul style="list-style-type: none">• Offer face-to-face meetings.• Offer printed materials.• Read through documents aloud.
A client asks 'Can I check this with my son/daughter?'	Possible reliance on another for support	<ul style="list-style-type: none">• Explain the option of a Trusted Contact Person.• Offer to speak to this nominated person (with consent).

By recognising vulnerability early on and offering appropriate support, firms help to ensure fair treatment, meet regulatory expectations under the CPC 2025 and promote positive outcomes for all customers.

Interestingly, this approach does not require individual customers to be considered as 'vulnerable' for firms to provide support. For example, if a customer states that they do not understand something or they need assistance, then an adviser should take appropriate steps to support that customer's understanding. This is regardless of whether an assessment of that customer would reveal that they may be in vulnerable circumstances.¹³³

¹³³ Central Bank, 2025. *Guidance on Protecting Customers in Vulnerable Circumstances*, Provision 2.3.2, March, www.centralbank.ie.

Firms should have clear internal policies for escalating (proceeding with) cases involving consumers in vulnerable circumstances, and ensure staff are trained to respond with empathy, professionalism and flexibility.¹³⁴



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute’s learning platform and access a resource specifically developed to help you better understand this topic.

B3 Obligations on the consumer

The **Consumer Insurance Contracts Act 2019** has removed the obligation of utmost good faith on consumers.¹³⁵ Throughout the KYC process, the consumer’s pre-contractual duty of disclosure requires them to answer the specific questions asked by the insurer honestly and with reasonable care. The consumer is no longer obliged to volunteer any information beyond these questions.

However, Section 9 of the **Consumer Insurance Contracts Act 2019** outlines the remedies for **misrepresentation**, depending on whether the misrepresentation was innocent, negligent or fraudulent. Where a claim is made following:

- An innocent misrepresentation, the insurer must pay the claim and cannot avoid the contract on those grounds
- A negligent misrepresentation, the remedy must reflect what the insurer would have done, had it been aware of the full facts
- A fraudulent misrepresentation, or any conduct involving fraud while leading to the contract’s formation, the insurer can avoid the contract.

Table 5.2 provides examples of the impact of the different types of misrepresentations.

Table 5.2 Types of misrepresentations			
Misrepresentation	Definition	Example	Outcome
Innocent	A misstatement made honestly without intent to mislead	Mark forgets to mention a windscreen claim from 2 years ago.	Insurer must pay the claim. Contract cannot be avoided.
Negligent	A misstatement made carelessly or without reasonable checks.	Instead of checking how much of the roof is flat, Sarah answers 10% when it is in fact 30%.	Remedy reflects what the insurer would have done if the facts were known.
Fraudulent	A deliberate attempt to mislead or conceal material facts.	Mark knowingly omits a prior traffic conviction to get a cheaper quote.	Insurer can void the contract and deny the claim.



misrepresentation

untrue statement of fact, either innocent, negligent or fraudulent, made during negotiations



Quick question 2

Explain why the Central Bank insists that, where there is a lack of material information from a consumer, the adviser must not proceed to provide advice.

¹³⁴ Central Bank, 2025. *Guidance on Protecting Customers in Vulnerable Circumstances*, Provision 2.3.12, March, www.centralbank.ie.

¹³⁵ The definition of a ‘consumer’ is the same as that in the **Financial Services and Pensions Ombudsman Act 2017** (see Chapter 7C).

B4 Assessing and documenting suitability¹³⁶

Once the adviser has completed the required information-gathering process and ‘knows the consumer’, they must assess and document the suitability of any financial product or service, before making a recommendation or arranging cover. Having regard to the information gathered from the consumer, this assessment must be based solely on the consumer’s needs and objectives, personal and financial circumstances and attitude to risk. Information relating to sustainability preferences must not be considered at this stage.

The assessment should determine whether:

- The product meets the consumer’s needs and objectives
- The consumer is in a position to meet the financial commitments involved on an ongoing basis (Example 5.3)
- The consumer can reasonably bear any associated risks
- The product is also consistent with the consumer’s attitude to risk.

Where more than one option is provided, they must represent the most suitable products available. If a single recommendation is made, it must be the most suitable product, based on all information gathered and any other relevant facts known to the adviser.



Example 5.3

Oscar (an insurance broker) is advising Victor on his motor insurance policy. Despite the fact that Victor’s car is 10 years old and valued at €5,000, Oscar persuades him to buy an expensive comprehensive motor insurance policy. Victor is unlikely to be able to meet the monthly premiums.

Oscar should have considered the affordability of the insurance policy when advising Victor. It is very likely that a basic motor insurance policy at a lower premium would have suited Victor (both in terms of his insurance needs and financial situation).

Once suitability has been assessed, a formal written Statement of Suitability must be prepared. The document must be signed, dated and provided to the consumer on a **durable medium**. Its purpose is to clearly explain why the recommended product or service is suitable, or the most suitable, based on the consumer’s profile. The statement must outline how the product’s risk profile, including any guarantees, aligns with the consumer’s attitude to risk. Only after suitability has been established should the statement reference any sustainability preferences, where relevant, and indicate whether the selected product meets those preferences.

Where a verbal explanation of the recommendation has been given, a record of that conversation must also be retained and referenced in the written statement.

The statement must begin with a standardised notice that highlights its importance as a record of the rationale behind the product or service being recommended. Overall, this process underpins transparency, supports informed decision-making and ensures compliance with the CPC 2025.



durable medium

any instrument that allows information to be stored and accessible for future reference for a required period of time, and prevents the stored information from being changed or reproduced

¹³⁶ Regulations 17 and 18, CPR 2025.

Case study 5.2 illustrates how the consumer's suitability is assessed and Example 5.4 shows the actual Statement of Suitability, as presented to the client.

Case study 5.2

Home Contents Insurance – with Business Use

Nora is a 25-year-old physiotherapist renting a two-bedroom apartment in Tipperary. She has recently started seeing private clients at home two days per week, using a converted spare room as a small treatment space.

Suitability assessment

Shay collects information about Nora's living situation and business plans. She confirms that she:

- Does not own the apartment, so needs only contents insurance
- Owns physiotherapy equipment valued at approximately €3,500
- Wants to insure her laptop and phone, which are for both business and personal use
- Will be treating clients at the apartment.

Shay asks Nora about her attitude to risk and her budget. Nora tells him that she would rather pay a slightly higher premium for wider cover and fewer restrictions.

Recommendation

Shay recommends a contents-only home insurance policy that includes:

- Cover for personal and specified items, e.g. her laptop and physiotherapy equipment
- Public liability cover, due to business visitors at the premises (as allowed by the insurer)
- A higher-than-average excess to balance the wider cover with an affordable premium.

Statement of Suitability

The Statement outlines why this policy is suitable. It reflects Nora's renting status, business activity at the apartment and her financial and risk preferences.

It also notes that Shay has considered the need for flexibility and additional protection, based on Nora's personal and professional use of the property.



Example 5.4

Important Notice – Statement of Suitability

This is an important document, which sets out the reasons why the product(s) or service(s) offered or recommended is/are considered suitable, or the most suitable, for your particular needs, objectives and circumstances.

Dear Nora,

Following our recent meeting and based on the information you provided about your personal and professional circumstances, we recommend a contents-only home insurance policy with SecureHome Insurance. The policy is tailored to renters and includes cover for specified items and business equipment used at your premises.

In making this recommendation, we considered:

- The extent and value of your contents, including your physiotherapy equipment
- Your stated requirement for public liability cover, due to treating clients at the property
- Your willingness to accept a higher excess in exchange for wider cover
- Your current budget and long-term insurance needs as your physiotherapy practice grows.

This recommendation is based on a fair and personal analysis of the market. Other insurers were considered but offered less flexibility around business use at the premises. One option provided a lower premium but excluded cover for items used in a business capacity, which was unsuitable for your situation.

Date: _____

Signed: _____

B4a When is a suitability statement not required or adapted?

If a consumer explicitly instructs the firm to proceed with a specific product and insurer – clearly naming both – not having received any assistance from the firm in selecting the product, a suitability statement that aligns the consumer’s attitude to risk with the risk profile of the product is not required. In such cases, the consumer is effectively making an execution-only decision and the CPC 2025’s suitability assessment requirements do not apply.¹³⁷ Example 5.5 outlines Nora’s actions in such a scenario.



Example 5.5

Nora has been listening to a segment about private health insurance on a radio talk show. They were talking about a new health insurance plan that has been launched by Beta Insurance (SecurePlan Lite) and is very affordable for the cover provided.

Nora calls Shay (her insurance broker) and says, ‘I’ve already looked into it. I want the SecurePlan Lite from Beta Insurance. Please go ahead with that one. I don’t need to compare anything else.’

Shay checks that Nora is naming both the product and the provider herself and confirms that she does not want advice or help in selecting other options.

Because Nora has made an explicit, unsolicited instruction, and Shay did not assist in choosing the product, this is considered an execution-only transaction. However, Shay must still document Nora’s instruction and confirm that she made the decision independently.



personal consumer

a consumer who is a natural person acting in their private capacity outside their business, trade or profession

In the case of a travel, motor or home insurance policy provided to a **personal consumer**, the Statement of Suitability may be in a common format.¹³⁸

In the case of an insurance policy where immediate cover is required by a consumer, the Statement of Suitability can be issued to the consumer prior to, or within 5 business days of, the insurance policy being entered into.¹³⁹



¹³⁷ Regulation 19, CPR 2025.

¹³⁸ Regulation 341, CPR 2025.

¹³⁹ Regulation 340, CPR 2025.

C

What information must we provide to the consumer during the sales process?

Remember, the CPC 2025 Standards for Business require a firm to 'ensure that all information it provides to customers is presented in a way that informs the customer effectively'.¹⁴⁰ This is why providing clear and accurate information about insurance products is a fundamental responsibility of insurance advisers. Before making a decision, consumers must fully understand what they are purchasing, how it meets their needs, and any conditions or limitations involved. Transparency in product disclosures, pricing and sales practices is critical to ensuring fair treatment and regulatory compliance.

C1 What product information must be provided to consumers?

The **Insurance Distribution Regulations** (IDR) and the CPC 2025 require that advisers provide consumers with all relevant material information before concluding a sale. This ensures that a consumer can make an informed decision and be aware of the policy's main features, costs and restrictions.¹⁴¹

The Insurance Product Information Document (IPID) is a standardised document required under the IDR. It is designed to provide consumers with clear, easy-to-understand information about non-life insurance products before the conclusion of a contract. Providing an IPID enhances transparency, helps consumers to compare products and reduces the risk of disputes due to misunderstandings about policy terms.

The IPID must:

- Be a short, stand-alone document (separate from other policy documents)
- Be titled 'Insurance Product Information Document' at the top of the first page
- Be accurate, not misleading, clear and easy to read
- Be available in English (or another language if agreed upon by the consumer and insurer)
- Be provided before the conclusion of the contract – ensuring consumers have all key information before making a commitment

¹⁴⁰ Regulation 4, **Standards for Business Regulations 2025**.

¹⁴¹ Regulation 33, **Insurance Distribution Regulations 2018** (IDR 2018); Chapter 5, **Consumer Protection Regulations 2025**.

- Include a statement that complete pre-contractual and contractual information on the product is provided in other documents¹⁴²
- Be standardised in format to ensure comparability across different insurers.¹⁴³

The IPID should contain a summary of the insurance cover under the following headings:

- What is this type of insurance?
- What is insured, i.e. the main risks covered?
- What is not insured, i.e. a summary of the excluded risks?
- Are there any restrictions on cover?
- Where am I covered, i.e. the geographical scope?
- What are my obligations, i.e. at the start of the contract, during the term of the contract and in the event of a claim?
- When and how do I pay, e.g. the means, frequency and duration of premium payments?
- When does the cover start and end, i.e. the contract start and end dates?
- How do I cancel the contract, i.e. the means of termination?¹⁴⁴

Example 5.6 illustrates how the provision of an IPID can assist consumers in making an informed choice.



Example 5.6

Mark and Sarah have recently renovated their home and they want to ensure that:

- The increased rebuild value is covered
- New high-value contents (e.g. smart home devices) are included
- Their specified personal items (e.g. Sarah's engagement ring and Mark's home office equipment) are clearly noted.

Mark and Sarah are considering three home insurance options, but are not sure which one to choose. Shay provides them with an IPID for each product. By reviewing the IPIDs side by side, they can quickly see that:

- Option A includes accidental damage but has lower single item limits
- Option B offers wider valuables cover but a higher excess
- Option C includes home emergency assistance, a feature they had not initially considered.

Shay uses these IPIDs to walk them through the key features of each product option and help them to make an informed decision without having to read through full policy wordings at this stage.

Appendix 1 at the end of this chapter contains a template IPID.

¹⁴² Regulation 34(7), IDR 2018.

¹⁴³ Regulation 41(6), IDR 2018.

¹⁴⁴ Regulation 34 (9), IDR 2018.

C2 How does data protection legislation impact on this information?

Section B explained that the insurance sales process involves the gathering of customer information (data). This information is then stored and processed by firms. Because of this, advisers must be aware of their responsibilities under the GDPR. In Chapter 3A2a, you learned about the data protection principles. Let's consider how these data protection principles impact on this stage of the process.

Under the **General Data Protection Regulation 2016** (GDPR):¹⁴⁵

- There must be a clear and lawful basis for collecting and processing personal data. Examples of such bases are:
 - contract necessity (required to provide the insurance product)
 - legal obligations (compliance with regulatory requirements)
 - explicit consent (required for marketing communications and the processing of **special category personal data**).

Consumers must be informed at the point of sale as to how their data will be used.

- Firms must collect data that is adequate, relevant and limited only to what is necessary for the purposes for which it is being processed (as in Example 5.7). This means assessing all data collected to ensure that it meets these requirements and is not overly intrusive relative to the product being underwritten.



Example 5.7

An adviser cannot demand a consumer's medical history for home insurance, as it is unnecessary for underwriting. However, when applying for personal accident, payment protection, critical illness or travel insurance, medical details or medical history are vital in terms of disclosure.

- Data must be processed and stored securely, including:
 - restricting access to data
 - justifiable retention periods, i.e. data should not be kept longer than necessary (as in Example 5.8).



Example 5.8

An intermediary cannot store a consumer's passport details indefinitely unless required for regulatory compliance.

- Firms must be transparent as to:
 - what data is being collected and why
 - how long the data will be stored
 - the right of a **data subject** to access, amend or request deletion of their data
 - the policies and procedures that ensure GDPR compliance.

This is usually outlined in the firm's privacy statement or privacy notice.



special category personal data

a type of personal data considered to be particularly sensitive and is subject to enhanced protections under the GDPR



data subject

a living individual who is the subject of personal data

¹⁴⁵ EU General Data Protection Regulation 2016.



bundling

the packaging of two or more distinct products into a bundle, where each of these products can be purchased separately from, or through, the firm

C2a What is 'special category personal data'?

The GDPR gives additional protections to what is known as 'special category personal data'. This is data that:

- Reveals racial or ethnic origin, political opinions or religious/philosophical beliefs
- Reveals trade union membership
- Reveals genetic or biometric data
- Concerns health
- Concerns a person's sex life or sexual orientation.

This category of data can only be processed by an organisation in limited circumstances. Firms must obtain explicit, informed consent from consumers before collecting special category personal data. Data subjects must be told why this data is needed and how it will be used. Consent must be freely given and cannot be a condition of receiving an unrelated product.¹⁴⁶

C3 Bundling and contingent selling

C3a Bundling

Bundling occurs when two or more insurance products are sold together as a package (as in Example 5.9). Package policies (e.g. household or motor) that have separate sections do not fall within this definition, as the component parts are not offered separately.

While bundling can be beneficial (e.g. multi-policy discounts), it must comply with the CPC 2025 and IDR rules. A firm cannot bundle products unless it can show that there is an overall cost saving for a consumer.¹⁴⁷

Before offering, recommending, arranging or providing a bundled product, a firm must provide the consumer with the following information on paper or another durable medium:

- a. the overall cost of the bundle to the consumer
- b. the cost to the consumer of each product separately
- c. how to switch products within the bundle
- d. the cost to the consumer of switching products within the bundle
- e. how to exit the bundle, and
- f. the cost to the consumer of exiting the bundle.¹⁴⁸

¹⁴⁶ Section 73, **Data Protection Act 2018**.

¹⁴⁷ Regulation 91, CPR 2025.

¹⁴⁸ Regulation 92, CPR 2025.



Example 5.9

Nora takes out home contents insurance and is offered optional gadget insurance cover for the items she brings to her workplace (the physiotherapy clinic), e.g. tablet, laptop, phone. Shay presents this as a bundle with a discount and explains that the total premium is €220 and that this would cost €240 if she bought each of the covers separately.

He gives Nora a breakdown on a durable medium, showing:

- The cost of each item separately
- How to remove the gadget insurance cover later, if she changes her mind
- The cost of doing so.

C3b Contingent selling¹⁴⁹

Contingent selling (also called 'forced tying') is when the sale of one insurance product or service is conditional or dependent on the purchase of another unrelated product. Under the CPC 2025, firms are not allowed to do this (as shown in Example 5.10).



Example 5.10

Oscar (an insurance broker) refuses to sell a motor insurance policy to Samuel, unless he also buys breakdown assistance. What Oscar is doing is prohibited under the CPC 2025, unless the products are inseparable, e.g. motor insurance and compulsory liability cover.

Tom wants to insure his mobile home on Achill Island, but Oscar insists that to do this, he must also take out an insurance policy on his main residence in Claremorris. This is another example of contingent selling and it is not allowed under the CPC. Oscar must offer the mobile home cover on a standalone basis.

Firms must price optional extras separately from the main product and provide written confirmation to clarify that the purchase of one is not contingent on the purchase of the other. However, firms can offer additional products or services to existing customers, that are not available to potential consumers.



contingent selling

practice whereby a business makes the sale of one product or service conditional on the purchase of another, so that the customer is required to buy something they may not want in order to obtain the product or service that they do want

¹⁴⁹ Regulation 90, CPR 2025.

C4 Summary of sales process information requirements

This section examined the information to be provided to a customer during the sales process. This information is provided so that the customer's best interests are secured, that they are treated fairly and professionally and they are informed effectively.¹⁵⁰ To ensure compliance, firms should:

- Maintain records of:
 - market research undertaken
 - customer's insurance needs and suitability assessments
 - all discussions with the customer regarding the product(s)
 - duty of disclosure requirements
 - product disclosures and sales communications
- Monitor content and delivery of prescribed sales scripts and online material to ensure consistency with the IPID and other pre-contractual disclosures
- Conduct internal file reviews or audits to identify and correct any misleading practices or information gaps
- Ensure that staff receive regular training on evolving product features and disclosure obligations to maintain a high standard of consumer communication.

By doing so, advisers are not only complying with regulations, but also enhancing customer trust in the insurance market.

You will see that throughout their insurance journey, the O'Connors received clear, jargon-free information, properly disclosed fees and commissions and personal advice based on their particular situation. Shay (their broker) documented the process, building trust and ensuring transparency and regulatory compliance.



Quick question 3

Explain what is meant by 'special category personal data'.

¹⁵⁰ Regulation 4, **Standards for Business Regulation 2025**.

D

What are the procedures surrounding quotations?

An insurer's relationship with a client (**proposer**) usually begins with a request for a quotation.



proposer

a person, firm or organisation applying for insurance (but not yet a policyholder/insured)

To get a quotation, the proposer provides the necessary details directly to the insurer, through an intermediary (such as a broker) or online (via a website). Online quotations can be obtained either from an intermediary or directly from an insurer. Comparison websites are uncommon in the Irish insurance market.

Quotations are typically issued after an insurer or intermediary has assessed the risk and determined that it falls within their underwriting criteria. In many cases (especially for motor or home insurance), quotes can be generated immediately online or over the phone based on the information provided by the proposer.

Proposers must answer all questions honestly and accurately. A quotation is only as reliable as the details on which it is based. If a proposer misrepresents or withholds relevant facts at this stage, the premium quoted may be incorrect and could negatively impact the insurance and claims cover (see Section B3).

Although a quotation represents a formal offer, it does not in itself provide insurance cover. At the quotation stage, firms must also provide consumers in vulnerable circumstances with any ongoing reasonable assistance that may be necessary to facilitate their dealings with the firm.¹⁵¹ The types of potential assistance outlined in Section B2b are equally relevant at this stage.

D1 Content of a quotation

An insurance quotation is a key part of the pre-contractual process, providing the proposer with a clear, written offer of insurance, based on the information they have supplied. Under the CPC 2025 and IDR, an insurance quotation must include:

- The total cost (monetary amount) of the quotation
- The length of time the quotation remains valid
- The legal name of the underwriter (insurer)
- Any warranties and endorsements that apply (which must be in the same font size as the other information in the document)
- Any discounts or loadings applied to the premium.¹⁵²

¹⁵¹ Regulation 34, CPR 2025.

¹⁵² Regulation 328, CPR 2025 & Regulation 32(1), IDR 2018.

A well-structured quotation ensures:

- Transparency. The proposer understands the cost, coverage and key terms.
- Compliance. The firm is adhering to the regulatory requirements.
- Consistency. All proposers receive fair and accurate pricing information.
- Informed decision-making. Proposers can compare options before purchasing a policy (as shown in Example 5.11).



Example 5.11

Mark and Sarah are shopping for a new home insurance policy. Shay gathers details regarding what is to be insured – rebuild cost, security features, accidental damage preferences and information on any specified items (such as jewellery and bicycles). He then prepares a quotation. The couple are surprised to find that the cheapest policy does not include accidental damage of their contents, only the building. As a result, they opt for a slightly more expensive quotation with this additional cover.

When providing an insurance quotation, the adviser must explain any difference in cost between the means, frequency and duration of premium payments, e.g. whether the consumer pays monthly by direct debit, annually in a single payment, or through a finance plan. These payment options may include additional charges and consumers must be made aware of this before entering into the contract.¹⁵³

In some cases, a quote will be provided 'subject to' a particular action that must be undertaken or a specific condition that must be met by the proposer or insurer, before coverage is confirmed (as in Example 5.12).



Example 5.12

A household insurance quote may be 'subject to' installing deadlocks on all exit doors. A commercial insurance quote may be 'subject to' a satisfactory insurer survey of the premises.

These 'subjectivities' must be clearly stated to avoid misunderstandings and to ensure that both the insurer and the proposers understand any necessary actions required, before the policy can take effect.

Overall, quotations play a vital role in safeguarding consumer interests by setting clear expectations and supporting responsible decision-making.

D2 Quotations and specific classes of insurance

Certain classes of insurance, such as motor and property insurance, may be subject to additional quotation requirements, whether through regulation or industry standards. These may include providing claims history information, no claims bonus documentation or specific underwriting disclosures. Such additional requirements are designed to enhance clarity and ensure accuracy in high-volume or high-risk product categories, where pricing and terms can vary significantly based on individual factors.

¹⁵³ Regulation 338, CPR 2025.

D2a Property insurance

If an insurer refuses to provide a quote for property insurance, they must inform the consumer of the reason for refusal within 5 business days. They also need to advise the consumer that not having property insurance could result in a breach of loan terms, if there is a loan secured against the property. This can be communicated verbally or, if requested by the consumer, provided in writing.¹⁵⁴

When providing a quote, property insurers must clearly explain that:

- If a claim is made, the insurer may appoint its own builder or expert to carry out repairs rather than allowing the policyholder to choose¹⁵⁵
- The insurer has the choice of indemnity option, i.e. cash, repair, replacement or reinstatement.

D2b Motor insurance

Under the **Non-Life Insurance (Provision of Information) Regulations 2007** and **2018**, motor insurers must provide potential clients with detailed information at the quotation stage:

- Vehicle and driver details
 - The registration number of each insured vehicle
 - The name(s) of insured drivers or the categories of drivers covered
- Policy cover option
 - Comprehensive
 - Third party, fire and theft
 - Third party only
 - Other combinations offered by the insurer
- Total premium for each policy cover option
- Premium breakdown
 - How much of the premium is based on the client's claims history or past convictions
 - The cost of optional add-ons (e.g. legal expenses or breakdown assistance)
 - Any additional fees or costs other than the premium
 - Available payment options
- Policy terms
 - Any limitations or restrictions that apply to the policy
- Discounts and No Claims Bonus (NCB) details, including:
 - percentage and amount of the discount
 - the no claims bonus percentage
 - number of claim-free years.

By providing this information upfront (as in Example 5.13), insurers ensure that customers understand the full costs, benefits and terms of their motor insurance policy before making a decision.

¹⁵⁴ Regulation 336, CPR 2025.

¹⁵⁵ Regulation 335, CPR 2025.



Quick question 4

Explain why you think the Central Bank has singled out the insurer's option to appoint its own builder or expert to carry out repairs under a property insurance policy for specific disclosure.



Declined Cases Agreement

an agreement that ensures a designated insurer will provide cover to a motorist seeking insurance if the customer has approached, and been declined, by at least three insurers

Financial Services and Pensions Ombudsman

office that deals independently and impartially with unresolved complaints from consumers about the conduct of a pensions provider or a regulated financial service provider



Example 5.13

Mark is getting a quotation for his motor insurance. Shay explains that the quote shows the vehicle registration number, names all insured drivers (including himself and Sarah), states the cover information and details their no claims bonus. Shay highlights that the type of vehicle security and where the vehicle is kept overnight may entitle them to additional reductions in premium.

When offering motor insurance to a consumer, an insurer must also explain (where relevant) that in the event of a claim, the insurer may appoint its own expert to conduct repair work on the property or a motor vehicle.¹⁵⁶

The CPC 2025 also states that, where an insurer refuses to quote a consumer for motor insurance, it must advise the consumer of the refusal and provide its reasons in writing within 5 business days. It must also notify the consumer of their right to refer the matter to the Declined Cases Committee and how this can be done.¹⁵⁷

D2b1 Declined Cases Agreement

Motorists who struggle to get motor insurance can apply for cover under the **Declined Cases Agreement** (DCA) which ensures that an insurer will provide cover to such a motorist if at least three insurers have refused to provide a quote.

The DCA is operated by Insurance Ireland and administered by a committee representing all insurers active in the motor insurance market in Ireland, as well as a representative of the Consumers' Association of Ireland (CAI) and the **Financial Services and Pensions Ombudsman** (FSPO).

Here's how the DCA works:

- First insurer responsibility. The first insurer the motorist approaches must provide a quote.
- Previous insurer. If the motorist had a valid insurance policy in their own name within the last three years, that insurer will be asked to provide a quote.

Insurers can refuse cover if they believe offering insurance would be against the public interest e.g. due to fraud or high-risk behaviour. If an insurer provides an unreasonably high quote or imposes excessively strict conditions, this may be considered a refusal. In such cases, the DCA can review the matter to ensure fairness.

¹⁵⁶ Regulation 335, CPR 2025.

¹⁵⁷ Regulation 336, CPR 2025.

D3 Equality in the quotation process

As noted in Chapter 3A4, under the **Equal Status (Amendment) Act 2012**, insurers cannot use gender as a factor in calculating premiums and quoting for personal insurance products.

To comply with this Act, firms must:

- Ensure that pricing models are actuarially justified but do not rely on prohibited discriminatory factors such as gender (Example 5.14)
- Provide transparency in risk-based pricing and be able to clearly explain why a particular premium is being charged
- Train staff on equality legislation to prevent unintentional discrimination
- Ensure that marketing and sales practices are inclusive and do not discourage consumers from seeking insurance based on their demographics.



Example 5.14

When Sarah queries why her motor insurance quotation is higher than Mark's, Shay explains that under the equality legislation, gender cannot be used as a pricing factor. Instead, the difference in premiums for Mark and Sarah are based on underwriting criteria, such as the type of car, claims history and mileage.

D4 Data protection in the quotation process

When a person is seeking a quotation for an insurance policy, it is part of the contractual process, whereby the initial stages are known as 'an invitation to treat'. This means that the customer provides relevant information to the insurer for assessment. Based on the information supplied, the insurer then makes an offer of insurance, stating the relevant cost to the customer, who in turn either accepts or rejects the offer.

If the customer accepts the offer, then formal contract relations are entered into by both the insurer and the customer. If the customer rejects the offer, then the matter is at an end, as no legal relationship has been created between the insurer and the potential customer.

For how long can an insurance quote be held? Under the GDPR, any personal data collected through the quotation process should be kept in a form that allows identification of data subjects for no longer than is necessary for the purposes for which the personal data is processed.¹⁵⁸

Under the CPC 2025, where the quotation process has concluded and there is no follow-up by a proposer to complete a contract, the insurer or intermediary (as a **data controller**) can retain the record of that request or offer for 12 months.¹⁵⁹



data controller

a natural or legal person who controls, and is responsible for, the keeping and use of personal information on a computer or in structured manual files

¹⁵⁸ Article 5(1)(e), **General Data Protection Regulation 2016**; Chapter 2, **Data Protection Act 2018**.

¹⁵⁹ Regulation 117(2), CPR 2025.

In summary, a quotation:

- Is valid for a set period and does not provide automatic coverage, unless stated otherwise
- Must be honoured by the insurer if the proposer accepts it within the valid period, unless the proposer's circumstances have changed
- Does not have to be offered by the insurer on the same terms if it has expired, but the insurer may choose to do so if the rates and underwriting criteria remain unchanged.

E

How do we gather information from the consumer?

In this chapter, we have explored how advisers provide information to, and generate quotations for, consumers. Before a quotation can be generated, however, the adviser must gather sufficient information about the consumer and the risk.

This section examines how that information is collected, particularly through a **proposal form**, fact-finds and other structured methods. This information-gathering step is essential, not only for underwriting and pricing, but also to ensure the advice given is suitable for the consumer and compliant with the CPC 2025.

E1 Content of proposal forms

Proposal forms are crucial tools in almost every class of insurance. They are detailed questionnaires that help insurers to gather essential information before making coverage decisions. The proposer fills out these forms and submits them to the insurer for review.

The length of a proposal form can vary significantly – some are short and straightforward, while others are much longer and more detailed. The complexity depends on the type of insurance and level of information needed to accurately assess the risk. Examining different types of proposal forms, both for personal and business insurance, can be extremely helpful in understanding their diverse layouts and question formats.

Most proposal forms contain general questions that apply across various types of insurance, such as the proposer's:

- Full name
- Postal and risk address (where the insured item is located)
- Occupation or business type
- Age
- Past insurance history, including previous policies
- Past accidents, claims or convictions¹⁶⁰
- Other existing insurance policies
- Required period of insurance
- Specific subject matter (what is to be insured)
- Required coverage, i.e. sum insured or limit of liability.



proposal form

type of questionnaire used to gather information about the subject matter of insurance before an insurance contract is entered into

¹⁶⁰ Note: Previous convictions that fall under the **Criminal Justice (Spent Convictions and Certain Disclosures) Act 2016** need not be provided.



material fact

any fact that would influence an underwriter/insurer in either accepting or rejecting a risk and in deciding what terms to impose


As noted in Section B3, under the **Consumer Insurance Contracts Act 2019**, the consumer must answer the questions posed by the insurer honestly and with reasonable care. Before entering or renewing a contract of insurance, the insurer must inform the consumer in writing of the general nature and effect of this pre-contractual duty of disclosure. The insurer must only ask specific, not general, questions when requesting information. The onus is on the insurer to ensure that the questions are written in plain and intelligible language. Any ambiguity about the meaning of a question will be interpreted in favour of the consumer. The insurer is deemed to have waived any further duty of disclosure by the consumer, where it does not investigate an absent or obviously incomplete answer to a question.

It is important to note that not all insurance customers are covered by the **Consumer Insurance Contracts Act 2019**, as it only applies to those who meet the legal definition of a consumer.¹⁶¹ Insurance customers falling outside the scope of this Act must disclose all **material facts**, whether asked or not, in line with the duty of utmost good faith.

By carefully filling out a proposal form with clear, honest and complete details, a proposer helps the insurer to assess the risk fairly and accurately.

Each type of insurance has its own set of specific questions tailored to the risks involved. Table 5.3 provides examples of the questions posed for different types of insurance.

¹⁶¹ The definition of a 'consumer' is the same as that in the **Financial Services and Pensions Ombudsman Act 2017** (see Chapter 7C1).

Table 5.3 Examples of risk-specific questions for certain insurances	
Class of business	Subject of question
Motor	<div><ul style="list-style-type: none">• Driver age• Type of licence held, e.g. full, provisional, Irish, EU, international• Driving licence number¹⁶²• Previous driving experience• Criminal prosecutions pending• Previous accidents, claims, convictions and penalty points• Details of the vehicle/trailer, e.g. make, model, age, value, annual mileage, any modifications</div> <div></div>
Employers liability insurance	<ul style="list-style-type: none">• Machinery safeguards• Noise risks• Pollution hazards• Working away from premises• Working at heights• Wage roll (split into categories)
Fire insurance	<ul style="list-style-type: none">• Manufacturing processes• Storage arrangements• Building construction• Fire detection/protection measures
Theft insurance	<ul style="list-style-type: none">• Full stock breakdown• Security precautions, e.g. locks, alarms
Personal accident	<ul style="list-style-type: none">• Occupation, hobbies

¹⁶² Road Traffic and Roads Act 2023, www.irishstatutebook.ie.

E1a Private health insurance application forms

For private health insurance, a very restricted application form is used for gathering information. The statutory principles outlined in Chapter 2B4 make many personal details irrelevant to the underwriting process.

The questions asked relate to:

- Proposer's name and address
- Details of any dependants, e.g. spouse, children
- Age of proposer and dependants, to determine if a Lifetime Community Rating (LCR) applies
- Details of previous private health insurance, including any gaps in cover, for adjusting loadings and waiting periods
- Confirmation of the following (if applicable) to determine if an exemption to LCR loadings may apply:
 - previously held insurance that was cancelled, e.g. due to unemployment
 - residency status (in Ireland/abroad) as of 1 May 2015¹⁶³
 - membership of the Permanent Defence Forces
 - membership of the EU Joint Sickness Insurance Scheme
- Date of commencement of cover
- Level of cover.

Example 5.15 illustrates how this would apply.



Quick question 5

Explain why there is no question regarding past claims experience on a private health insurance form.



Example 5.15

Mark and Sarah were surprised to find that past claims are not relevant on their private health insurance application. Shay explains that this is because community rating applies – meaning everyone pays the same, regardless of their claims history. However, details such as prior gaps in cover can affect premiums and waiting periods.

¹⁶³ An LCR exemption may apply if the proposer moved to Ireland after that date.

E2 Alternatives to proposal forms

Advancements in technology have changed how insurers collect information from proposers, especially for personal insurance like motor and home insurance policies. This shift is also becoming more common in commercial insurance, including smaller package policies such as shop, office and tradesperson liability policies.

While proposal forms have traditionally been used to assess risks, insurers now use alternative methods to gather the necessary information. Let's explore some of these options.

E2a Statement of fact, factsheets and voice recordings

Many insurers now use a **statement of fact** to speed up the process of arranging cover, as the proposer does not need to manually fill out a detailed proposal form.

Once the policy is set up, the adviser provides the proposer with a statement of fact, summarising the information used to issue the policy. The insurer may require the proposer to return a signed copy along with any necessary documents, such as a driving licence or proof of a no claims bonus within a specific timeframe. Alternatively, the insurer may simply require the proposer to review the statement and report any errors within a specified number of days.

For online quotations, insurers may replace the proposal form or statement of fact with a **factsheet**, which serves the same purpose.

In phone sales, **voice recordings** may also be used. Insurers record the conversation instead of using a written form. The proposer must be informed at the start of the call that the conversation is being recorded for this purpose.¹⁶⁴ The adviser must also verbally outline the relevant duty of disclosure based on the proposer's status:

- If the proposer is a consumer, they must be informed (as noted in Section B3) that under the **Consumer Insurance Contracts Act 2019** (CICA), their pre-contractual duty of disclosure is confined to answering specific questions asked by the insurer honestly and with reasonable care. They are not obliged to volunteer any information other than what they are asked.¹⁶⁵
- If the proposer is a non-consumer (e.g. a business or professional client outside the scope of the CICA), they must be advised of their obligation to disclose all **material facts**, whether asked or not, in line with the duty of utmost good faith.



statement of fact

a statement provided by the insurer after confirmation of cover, clarifying the basis on which insurance is accepted and what conditions apply

factsheet

an online form asking if the statements given onscreen are correct, to which the insured clicks Yes or No (see also 'statement of fact')

voice recording

the record of a telephone call, which is timed and dated for future verification

material fact

any fact that would influence an underwriter/insurer in either accepting or rejecting a risk and in deciding what terms to impose

¹⁶⁴ Regulation 63, CPR 2025.

¹⁶⁵ The definition of a 'consumer' is the same as that in the **Financial Services and Pensions Ombudsman Act 2017** (see Chapter 7B).

E2b Commercial insurances

While proposal forms are still used for commercial motor risks, they are rarely used in commercial property (fire) or marine insurance. Instead, insurers use other methods to gather relevant underwriting information about the risk, such as:

- An intermediary submission or presentation. Some commercial risks, as with large manufacturing plants, are too complex to be captured in a standard proposal form. Instead, an intermediary (such as a broker) prepares a market submission, which provides a clear and structured overview of the risk and any manufacturing processes taking place, often including photographs of the risk. (Example 5.16 illustrates one such submission process.)
- Risk surveys. For large or complicated risks, insurers may conduct a risk survey. A surveyor will visit the proposer's premises and create a detailed report covering all aspects of the risk. This report may either replace or supplement a proposal form or submission, helping the insurer make a well-informed decision.



Example 5.16

A company that Mark sometimes works for (TopTech) is seeking insurance for their new office space. Shay does not use a proposal form, but prepares a structured submission with photographs, fire safety features and a risk profile for the server room. TopTech's Finance Manager helps to gather this information and Shay talks the insurer through it to secure cover that reflects TopTech's insurance needs.



Quick question 6

State the difference between a statement of fact and a proposal form.

If an insurer needs more information beyond what has been provided, they can gather additional details through:

- Online research – checking the proposer's website, social media pages or business directory listings to understand their operations
- Direct communication – contacting the proposer or intermediary via email, phone calls or meetings to clarify any missing details
- Supplementary questionnaires – requesting additional information on specific risks or known hazards, such as thatch roofs (for property insurance), risk management for motor fleets, or the use of chemicals in hairdressing salons.



F

Summary

The insurance sales process ensures consumers receive suitable products when firms and advisers comply with legal and regulatory standards. Key aspects include getting to know the consumer, gathering information, establishing suitability and providing the necessary product comparisons and regulatory information. Advisers must follow best practices in sales, documentation, data protection and financial crime prevention to ensure that the customer's best interests are secured, they are treated fairly and professionally and informed effectively.

F1 What's next?

Chapters 6 and 7 examine the post-sales insurance process. The focus is on the firm and adviser's ongoing support of and engagement with the client, while complying with relevant regulations.

F2 Study tips

It is important to remember that this textbook is the primary information source for this module. All the questions in your exam will relate directly to information featured in the textbook. Use the 'End-of-chapter questions', 'Quick questions' and the 'Sample multiple-choice questions' to quickly test what you've learned so far. Make a note of any topics/areas you need to improve in and keep it to hand so you can refer to it when you revise this chapter again before your exam.

F3 Online learning supports

In addition to the textbook, the Institute's learning platform (which can be accessed via your Member Area on www.iii.ie) has many online learning supports that can help you as you study this module. These include a Guide to Success, microlearning resources and study tips guide. These learning supports are invaluable in reinforcing what you have learned from the textbook so far. The interactive study chapters, chapter-by-chapter key points and other supports will help you to break down the chapter content when revising.

Completing online mock exams and reviewing the personalised feedback that follows is a great way of testing your knowledge and preparing for exam day.



End of chapter questions

Use these questions to test your understanding of what we've covered in Chapter 5.

1. Explain what is meant by a 'fair and personal analysis' of the insurance market and state when this must be disclosed to the consumer.

2. If a consumer refuses to provide information that an adviser feels is vital to making a recommendation, state what the adviser should do.

3. Explain how sustainability preferences are factored into product recommendations.

4. Outline the role of the Insurance Product Information Document (IPID) in the sales process.

5. Define 'bundling' and 'contingent selling' and explain when each is permitted or prohibited under CPC 2025.

6. Briefly explain the regulatory requirements in a situation where an insurer refuses to issue a quotation for property insurance.

7. Define a 'proposal form'.

8. For personal insurances, identify the means available to an insurer to acquire information, other than by proposal form.

9. State the purpose of a Statement of Suitability.

10. State when:
- a) a bespoke Statement of Suitability is required, instead of a standard format statement
 - b) a Statement of Suitability does not need to be issued.

11. Outline the typical 'risk-specific' questions in a private motor insurance proposal form.

12. List four questions typically found in a private health insurance application form.

Answers to end of chapter questions

Check your answers against those below and make a note of any points you left out. This will highlight some sections you may need to look at more closely during your revision.

1. A fair and personal analysis means the adviser considers a sufficiently large number of insurers (product providers) to give a representative view of the market. This must be clearly disclosed in the Terms of Business Document and the Statement of Suitability.
2. The adviser must inform the consumer that, as it does not have the relevant information necessary to assess suitability, it cannot offer the consumer the product or service sought.
3. Sustainability preferences are only considered after the adviser has identified suitable products based on the consumer's needs and objectives, personal circumstances, financial situation and (where applicable) their attitude to risk. If a suitable product(s) aligns with the client's sustainability preferences, this is reflected in the Statement of Suitability.
4. The IPID is a standardised summary of key information about a non-life insurance product. It enables the consumer to easily compare policy options in terms of their coverage, limitations, obligations and the cancellation and claims processes.
5. 'Bundling' is when two or more distinct products are sold together as a package. It is permitted if there is a cost saving for the consumer and proper disclosures are made. 'Contingent selling' is when the purchase of one product is made conditional on the purchase of another unrelated product. It is prohibited under CPC 2025.
6. An insurer must inform the consumer of its reasons within 5 business days of refusal. In addition, it must notify the consumer that failure to have property insurance in place could lead to a breach of terms and conditions attaching to any loan secured on that property. This can be communicated verbally or, if requested, in writing.
7. The proposal form is a type of questionnaire about the subject matter of insurance completed before the contract is entered into.
8. The other methods are:
 - Statements of fact
 - Factsheets
 - Voice recordings.
10. The purpose of a Statement of Suitability is to assist the consumer in understanding how the recommendation meets their needs, objectives, personal circumstances and financial situation and how the product or service is consistent with their attitude to risk.
 - a. A bespoke Statement of Suitability is required unless the policy is home, motor or travel insurance. In these cases, a standard format may be used.
 - b. No Statement of Suitability is required for execution-only sales, where the consumer instructs the firm to proceed with a named product and provider.

11. Risk-specific questions would ask about the vehicle and driver details, e.g. age, licence held, criminal prosecutions pending and previous accidents, claims, convictions and penalty points.
 12. Questions that relate to any four of the following:
 - Proposer's name and address
 - Age of proposer and dependents (to determine LCR rating)
 - Details of dependents
 - Details of previous private health insurance
 - Date of commencement of cover
 - Level of cover.
-

Answers to Quick questions

1. An insurance intermediary must act primarily in the consumer's best interest by providing suitable advice, ensuring transparency and complying with regulatory obligations.
2. The inability to establish full material information makes it impossible to give proper advice. Hopefully, the adviser's refusal to move forward with the process will be sufficient inducement for the consumer to volunteer the necessary information.
3. Special category personal data:
 - Reveals racial or ethnic origin, political opinions or religious/philosophical beliefs
 - Reveals trade union membership
 - Reveals genetic or biometric data
 - Concerns health
 - Concerns a person's sex life or sexual orientation.
4. Insurers have different ways of settling property insurance claims and indemnifying the insured. It is important that a proposer has full information about this before they decide whether or not to accept a quotation. This ensures that there are no surprises in the event of a claim.
5. Previous claims experience is not relevant because, by law, this cannot be taken into account by the private health insurer in their terms or pricing.
6. A statement of fact is a document generated by an insurer during a quotation enquiry, which records the proposer's answers to specific questions. A proposal form is a type of questionnaire used to gather information about the subject matter of insurance before an insurance contract is entered into.



Sample multiple-choice questions

Note: In your exam you will be awarded +3 marks for every question answered correctly, –1 mark for every question answered incorrectly and 0 marks for every question you choose not to attempt. On the answer form you complete in the exam, you will be required to choose from options A, B, C, D or E. Options A-D correspond with a possible answer to the question, while selecting Option E confirms that you are choosing not to attempt the question. When you attempt the mini-mock and full mock exam papers available on the Institute's online learning platform, this marking system is applied to allow you to prepare for your exam.

1. Under the **Consumer Insurance Contracts Act 2019**, where a claim is made following an innocent misrepresentation, the insurer must:
 - A. provide a remedy that reflects what the insurer would have done had it been aware of the full facts
 - B. pay the claim and not avoid the contract on the grounds of the innocent misrepresentation
 - C. decline the claim and avoid the contract
 - D. refer the matter to the Financial Services and Pensions Ombudsman for adjudication

Your answer:

☐

2. Edel has approached QWT Insurance DAC for a motor insurance quotation, but QWT has refused to provide one. What, if any, is the **minimum** number of alternative insurers that Edel will need to request a quotation from in order to be able to refer her case to the Declined Cases Committee?
 - A. Nil.
 - B. One.
 - C. Two.
 - D. Three.

Your answer:

☐

3. SilverRock Packaging has approached ABC Insurance for a fire insurance quotation for its commercial premises. At the proposal stage, ABC Insurance is **least** likely to ask the details of SilverRock's:
 - A. manufacturing processes
 - B. storage arrangements
 - C. fire detection measures
 - D. work at heights

Your answer:

☐

Answers to sample multiple-choice questions

Question 1

Chapter reference: Chapter 5B3

Question type: K

Correct response: B

Learning outcome: Explain the regulatory requirements related to knowing the consumer and assessing the suitability of insurance products.

Question 2

Chapter reference: Chapter 5D2b1

Question type: A

Correct response: C

Learning outcome: Identify and apply the procedures, including the regulatory requirements, relevant to general (non-life) insurance quotations.

Question 3

Chapter reference: Chapter 5E1

Question type: U

Correct response: D

Learning outcome: Explain the purpose and content of and impact of regulatory requirements on the gathering of underwriting information in order to assess risks and make underwriting decisions.

What is the post-sales process?

What to expect in this chapter

This chapter provides details on the post-sales process, focusing on:

- Providing documentation to customers after the sale is concluded
- Handling payments and rebates
- Engaging with the customer in the post-sales period
- Keeping records of the relationship with the customer.

During the post-sales process, the adviser must ensure that, having purchased an insurance policy, customers receive the necessary documentation and ongoing support and protection.

Once a policy is underwritten, firms must provide certain documentation within regulatory timeframes. This documentation is key to ensuring clarity for consumers and preventing disputes.

Post-sales engagement is essential to ensuring the insurance coverage continues to be suitable for the customer's needs. In this post-sales period, firms must communicate effectively regarding all aspects of the policy, including material changes, mid-term adjustments and renewal options.

Compliance with data protection legislation is an ongoing responsibility. Throughout the insurance process from pre-sales to post-sales, firms must ensure that customers enjoy the benefits of technological innovations and developments but are also protected from the associated risks.

Learning outcomes for this chapter

Section	Title	At the end of each section you should be able to:
A	What information must we provide to consumers in the post-sales process?	Demonstrate the impact of the main legal and regulatory requirements on the scope and provision of post-sales information and on rebates.
B	What are the compliance requirements in relation to payments and rebates?	
C	How do we engage with consumers in the post-sales process?	Identify the post-sales points of contact with customers and the impact of regulations on the tasks to be undertaken.
D	What are the requirements in terms of record keeping?	Demonstrate the impact of the main legal and regulatory requirements on record keeping in the post-sales period.
E	What is the impact of technology on the insurance process?	Outline how technology impacts the insurance process post-sale.

A

What information must we provide to consumers in the post-sales process?

This section looks at the regulatory requirements for issuing policy documentation, the structure and key components of an insurance policy, the regulations relating to cooling-off and cancellation rights and the impact of unfair terms on consumers and their contracts.

A1 Policy documentation

Under the CPC 2025, insurance policy documents must be issued within a set timeframe after the contract is concluded.¹⁶⁷ If the policy is sold directly by the insurer to the consumer, the insurer must issue the documents to the consumer within 5 business days.

If the policy is arranged through an intermediary, the insurer must issue the documents to the intermediary within 5 business days. The intermediary then has an additional 5 business days to issue these documents to the consumer. This means a maximum of 10 business days for the consumer to receive the documents.

Importantly, these timeframes are based on the underwriting date, not the policy start date (Example 6.1). Even if a policy has a future inception date, documentation must still be issued within the required timeframe.



Example 6.1

On a busy Friday evening, Shay finalises a home insurance policy for Mark and Sarah. The policy is underwritten and formally accepted by the insurer at 5:30 pm on Friday, 24 March.

Under the CPC 2025, the insurer must issue the policy documentation to Mark within 5 business days, i.e. by close of business on Friday, 31 March.

If Shay (as the broker) receives the documents that day (Friday, 31 March), he then has up to 5 additional business days to pass them on to Mark and Sarah. This means that he has until Friday, 7 April.



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand how business day timeframes are applied.



Quick question 1

Consider Mark and Sarah's new home insurance policy. Shay at AllGood Brokers helps them to arrange cover for their building, contents and valuables. They agreed to all the policy terms and conditions on Tuesday, 25 January and sent the premium to AllGood Brokers, which it received on the inception date (31 January). The insurer issued the policy documentation on 6 February. When should AllGood Brokers issue this to Mark and Sarah?

The answer is at the end of this chapter.

¹⁶⁷ Regulation 342, CPR 2025.



schedule

separate page(s) incorporated into a policy booklet to personalise the policy



exclusion/exception

a policy provision that defines circumstances or types of loss that are not covered

It is important to note that cover is in place regardless of whether the documentation has been issued.

If Mark and Sarah’s home insurance policy begins on 31 January, even though their policy documents may not arrive until 14 February, they have still been on cover from 31 January.

The policy documentation is evidence of the contract but is not the contract itself. However, it ensures that both the insured and insurer are clear as to the terms of the policy. In the event of a dispute, the policy document determines the rights and obligations of both parties.

Typically, most personal lines insurance policies follow a **scheduled** format. For larger commercial risks, insurers may issue tailored policies that contain only the relevant clauses and sections. Table 6.1 shows the basic structure of most non-life general insurance policies, allowing for differences in format, style and length.

Table 6.1 Policy structure	
Policy section	Content
Heading	Name of insurer, company logo and usually the address and other contact details
Recital clause/ preamble	A scene-setting clause referring to the parties to the contract, premium payments, indemnity and the proposal (if any) as the basis of the contract
Definitions	A list of frequently used terms or words with a particular meaning
Signature	Signed by the officer of the insurer (pre-printed)
Operative clause(s)	One or more clauses that describe the standard scope of cover of each section
Policy schedule	Normally a separate sheet, showing the policy number and all variable information about the policyholder, policy period, premium and subject matter, and highlighting any special terms, conditions, warranties or exclusions that apply
Information and facilities	For example, information on customer helplines, service standards, and complaints and claims procedures
General conditions	Standard conditions applied by all insurers to policies of a given type
General exclusions/ exceptions	Standard exclusions/exceptions applied by all insurers to policies of a given type

Some students find it challenging to imagine what these elements look like on the page. You should access a range of insurance policy booklets to see the various presentations and structures.

As you read through this section, you may notice that much of the information contained in the insurance policy will also appear in the Insurance Product Information Document (see Chapter 5C1 and Appendix 1 at end of Chapter 5).

A1a Heading, recital clause and signature

The heading of an insurance policy includes the insurer's name, company logo and contact details. This helps in identifying the insurer and ensures that the policyholder knows how to make contact in case of a query or claim.

The **recital clause (preamble)** sets the scene for the contract. It confirms the agreement between the insurer and policyholder, specifying that the insurer provides cover in exchange for the premium. This clause also references any associated proposal forms or declarations made by the policyholder.

Under the recital clause, or close to it, will be the pre-printed signature of an official from the insurer.

A1b Definitions section

To ensure clarity, insurance policies contain a definitions section that lists key terms and their meanings. Defined terms are usually written in bold or italics and remain consistent throughout the document. This section prevents ambiguity and helps policyholders understand their cover more effectively.



Just think

Why does the insurer define the terms used in the policy?

Insurers do this to keep the length of the policy wording as brief as possible and to avoid the repeated use of explanations whenever a word/phrase such as 'territorial limits', 'household' or 'business' appears in the document.

Because of the need to simplify complex policy wordings, many insurers in Ireland have restyled their language, using the word 'we' instead of 'the insurer' and 'you' instead of 'the insured'.

A1c Operative clauses

The **operative clauses** form the heart of the insurance policy. These clauses outline:

- The risks covered, e.g. fire, storm, flood and theft in a household policy
- Any specific conditions, exclusions or limitations that apply to each coverage section
- The terms under which a claim will be paid.

There may be a single clause defining cover, or more commonly, a number of such clauses (as in motor and household policies), each dealing with a different aspect of insurance cover. For example, a motor insurance policy may have separate operative clauses for:

- Third-party liability
- Fire and theft cover
- Comprehensive cover.

Each section may include specific exclusions, such as no cover for unlicensed drivers or damage caused by driving under the influence of alcohol.



recital clause (preamble)

scene-setting clause referring to the parties to a contract, premium, indemnity and proposal (if any) as the basis of the contract



operative clause

clause(s) that describes the standard scope of cover of each section of an insurance policy

**Quick question 2**

State the type of perils you would expect to see in the operative clause in a household policy.

**territorial limits**

those countries or territories where the policy cover will operate

**material change**

a change to the risk that results in the risk now being something the insurer did not agree to

**Quick question 3**

In which sections of a policy will you find:

- The elements specific to the individual insured?
- The contingencies or perils covered?

A1d Policy schedule

The policy schedule lists the items specific to the individual policyholder and risk insured, including:

- Policyholder's name and address
- Policy number
- Premium
- Period of cover (inception and renewal dates)
- Insured property or risk details, e.g. vehicle registration number, home address
- Sum insured or limit of liability
- Special endorsements, exclusions or warranties (in non-consumer contracts) that may apply
- **Territorial limits**, if any.

A1e General conditions

All policies include general conditions that apply to the contract as a whole. These may include:

- Due observance. The insured must fulfil all terms and conditions of the policy for a claim to be payable.
- Reasonable precautions. The insured must take necessary steps to prevent or minimise loss or damage.
- Alteration of risk. The insured must inform the insurer of any **material changes** to the risk.
- Claims procedure. The insured must be made aware of the requirements for notifying and handling claims.
- Cooling-off periods (the right to withdraw, see Section A4) and Cancellation rights (see Section A5)
- Dispute resolution (see Chapter 7).

Failure to comply with these conditions could result in a claim being denied.

A1f General exclusions¹⁶⁸

The general exclusions outline situations where the insurer will not provide cover. These exclusions apply to the whole of the policy rather than a specific section. Common exclusions include:

- War and terrorism
- Radioactive contamination
- Pandemics and infectious diseases
- Gradual deterioration, e.g. wear and tear, rust or mould.

Some exclusions may be negotiated or removed for an additional premium.

**Microlearning resources**

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

¹⁶⁸ The terms 'exclusions' and 'exceptions' are interchangeable. We will use the term 'exclusions', although you may see the alternative in some policy wordings.

A2 Temporary cover and cover notes

There may be instances where insurers cannot issue full documentation immediately, such as when additional information is required or where the proposer has to meet a certain condition, e.g. install smoke alarms, safety guards.

In these cases, insurers may issue a **cover note** that serves as temporary proof of insurance. Any temporary cover provided cannot be withdrawn retrospectively, but the insurer retains the right to cancel if further underwriting deems the risk unacceptable. Intermediaries have a duty to ensure that their clients understand this (as in Example 6.2).



Example 6.2

Nora takes out contents insurance for her rented apartment and tells Shay (her broker) that she will send in proof of her no claims bonus later that week. The insurer agrees to provide temporary cover in the meantime and issues a cover note.

Shay explains to Nora that the cover is conditional on the insurer receiving the outstanding documents. Nora is insured but if the outstanding paperwork reveals something unexpected, the insurer could cancel the policy going forward.



cover note

document setting out details of temporary cover granted, usually in advance of permanent documentation being issued

A3 Motor insurance Certificates and discs

For motor insurance policies, insurers are legally required to issue the insured with a **Certificate of Motor Insurance**, which serves as proof of compliance with the **Road Traffic Act 1961**.

This Certificate of Motor Insurance must contain the:

- Policy number and certificate number
- Policyholder's name and address
- Period of cover
- Vehicle registration details
- Limitations on usage and insured driver categories
- Persons, or classes of persons, whose liability is covered
- Drivers, or classes of drivers, whose driving is covered
- Declaration (of an approved policy under the **Road Traffic Acts**)
- Signature/seal of the insurer and address
- Signature of the person authenticating on behalf of the insurer
- Date of authentication.



Certificate of Motor Insurance

document required by law, issued by an insurer to a policyholder, proving that an acceptable minimum level of cover has been provided by a motor insurance policy

blanket certificate

a certificate of motor insurance that refers to classes of vehicles rather than specific registration numbers

fleet policy

a motor policy that covers a collection of vehicles owned by a corporate entity

The Regulations also permit the use of ‘**blanket certificates**’ for vehicles. The wording of a blanket certificate may refer to ‘any motor vehicle [that is] the property of the policyholder or hired or lent to the policyholder’. This wording is used for larger commercial risks, e.g. transport risks with fleets of a significant size. A policy condition requires the insured to notify details of any additions, deletions or changes. For **fleet policies** and motor trade policies, the insured is required to keep the vehicle information and driver numbers up to date on the Irish Motor Insurance Database (IMID).¹⁶⁹

It is compulsory to display a motor insurance disc on the windscreen of motor vehicles used in a public place. The disc shows less information than the Certificate of Motor Insurance, but must contain the:

- Policy number
- Registration number (or for fleets of five or more vehicles, the policyholder’s name)
- Period of cover
- Name of insurer.

Motorcycles and certain other limited categories are exempt from displaying a disc.

The absence of a disc does not have the same consequences as the absence of a Certificate of Motor Insurance. The former is an offence under the **Road Traffic (Insurance Disc) Regulations 1984 and 1986**; the latter is an offence under the Road Traffic Acts and therefore more serious.

A4 Cooling-off periods

After receiving their policy documentation, policyholders should be informed of their post-sale rights and obligations, including:

- **Cooling-off periods**¹⁷⁰
- Cancellation rights (see Section A5)¹⁷¹
- How to modify their coverage (see Section C3).

These notifications should be included in the policy ‘welcome pack’ or a separate post-sale letter/email, ensuring policyholders have access to all relevant information.

The cooling-off period is a consumer protection measure that allows policyholders to cancel an insurance contract within a specified timeframe without penalty. Insurers must provide consumers with clear information about their right to withdraw from the contract and the conditions under which this can occur. The rules governing cooling-off periods vary depending on whether the contract was concluded face to face (**Consumer Insurance Contracts Act 2019** (CICA) – see Section A4a) or via distance selling (Distance Marketing Regulations – see Section A4b).



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute’s learning platform and access a resource specifically developed to help you better understand this topic.

¹⁶⁹ Irish Motor Insurance Database (MTPL and NFD), www.mibi.ie.

¹⁷⁰ Section 11, **Consumer Insurance Contracts Act 2019**.

¹⁷¹ Section 13, **Consumer Insurance Contracts Act 2019**.



cooling-off period

a period of time in which a consumer has the right to withdraw from an insurance contract without any penalty

A4a Cooling-off period for face-to-face contracts

As previously mentioned, the cooling-off period refers to the period during which the consumer has the right to withdraw from the contract. Under CICA 2019, consumers who purchase insurance contracts (with a duration of more than 1 month) in person have the right to cancel cover by notifying the insurer in writing within 14 business days from the date they are informed that the contract has been concluded.¹⁷²

If a consumer exercises their right to withdraw from the contract within the cooling-off period, they are entitled to a full refund of any premiums paid subject to a pro-rata deduction for any time they were covered.

A4b Cooling-off periods for distance-sold contracts

Under the **Distance Marketing Regulations**, the cooling-off period for distance non-life general insurance contracts (those of more than 1 month's duration and sold via telephone, online or by mail) is 14 calendar days, including weekends and public holidays.

If the consumer cancels within this cooling-off period, they are entitled to a full refund of any premiums paid no later than 30 calendar days after the notice of cancellation, subject to a pro-rata deduction for any time they were covered.

It is important to note that for distance contracts, if a claim is made during the cooling-off period, the right to cancel no longer applies and the consumer will not receive a refund (as in Example 6.3). This does not apply to policies arranged face to face unless explicitly stated in the contract terms.



Example 6.3

Sarah thinks that cancelling her motor insurance policy (purchased online) within 14 calendar days of the contract being concluded guarantees a refund. However, she discovers that because she submitted a claim during this period, the cooling-off rights no longer apply.

Example 6.4 shows the impact of business and calendar days on cooling-off periods.



Example 6.4

Remember that a business day is defined as 'any day of the normal business working week, Monday to Friday inclusive, and excluding weekends, bank or public holidays. It is sometimes referred to as 'working day'.

Sarah purchases an annual travel insurance policy via a call centre on Wednesday, 6 March. Since this is a distance sale, the cooling-off period is 14 calendar days and expires on 20 March.

Sarah also purchases a motor insurance policy in person from a broker on the same day (Wednesday, 6 March). Since this is a face-to-face sale, the cooling-off period is 14 business days and so it expires on 26 March.

¹⁷² Note: This is different for life assurance policies. The **European Union (Insurance and Reinsurance) Regulations 2015** provide for a 30-day cooling-off period for individual life assurance policies.

A5 Cancellation rights

Depending on the policy terms and conditions, policyholders may also have the right to cancel an insurance policy after the cooling-off period. When an insurer or a policyholder cancels a contract after the cooling-off period:

- The insurer must provide written notice and refund any unused premium on a pro-rata basis
- The policyholder may need to pay an administration fee for the cancellation, depending on the contract terms
- If a claim has been made, cancellation may not be permitted, or refunds may be refused or adjusted accordingly.¹⁷³

The Distance Marketing Regulations require that insurers provide clear pre-contractual information about cancellation rights, refund conditions and the process for withdrawing from the contract. If a policy is sold via distance selling, this information must be provided in writing immediately after the contract is concluded. Insurers are obliged to process refunds within 30 calendar days of receiving a cancellation request.¹⁷⁴

Insurers and intermediaries must comply with the CPC 2025, **Consumer Insurance Contracts Act 2019** (CICA) and Distance Marketing Regulations, by providing clear policy terms, refunding premiums appropriately (see Section B2) and handling cancellations efficiently.

A6 Unfair contract terms

The **Consumer Rights Act 2022** (CRA 2022) strengthened consumer rights by expanding prohibitions on unfair contract terms, codifying consumer protection laws and introducing stricter penalties for breaches.¹⁷⁵

A6a What is an unfair term?

A contract term is considered 'unfair' if it causes a significant imbalance between the rights and obligations of the insurer and those of the consumer (to the consumer's detriment) or if it is contrary to the principle of good faith.¹⁷⁶

Unfair terms include those that:

- Restrict a consumer's legal rights or ability to take legal action
- Exclude the insurer from liability for certain damages unless legally justified
- Impose unreasonable conditions on the consumer
- Are not clearly explained or disclosed before the contract is concluded.

Under the CRA, where a contract term is considered 'unfair', it will not be binding on the consumer, although the consumer may rely on it if they choose to do so.¹⁷⁷



¹⁷³ Section 13, **Consumer Insurance Contracts Act 2019**.

¹⁷⁴ Regulation 14(2), **Distance Marketing Regulations 2004**.

¹⁷⁵ The definition of a 'consumer' under the **Consumer Rights Act 2022** (CRA 2022) applies to individuals acting wholly or mainly outside their trade, business, craft or profession. So, unlike the CICA or the CPC 2025, the CRA 2022 does not apply to insurance products supplied to SMEs or small businesses, regardless of their turnover.

¹⁷⁶ A contract 'term' in this context refers to the wording in a contract, not to the period of the cover.

¹⁷⁷ Section 129, **Consumer Rights Act 2022** (CRA 2022).

When determining whether a term of a consumer contract complies with the requirement of good faith, several factors are considered, including:¹⁷⁸

- The relative bargaining power of the insurer and the consumer
- Whether the consumer was induced or pressured into accepting the term
- Whether the product was sold or customised to the consumer's needs
- Whether the insurer has acted fairly and equitably, considering the consumer's legitimate interests.

A6b Transparency requirements for contract terms

The CRA 2022 requires that all contract terms offered to consumers be concise, plain and easy to understand. Legal jargon or ambiguous phrasing must be avoided. The terms contained in all written documents should be clearly laid out and legible, making it easy for consumers to read and absorb the information.

Importantly, these terms must be made available to the consumer before they enter into the contract, so that they have an opportunity to consider their meaning and impact. The financial obligations or potential costs of a contract must also be explained to the consumer upfront.¹⁷⁹ Particular attention must be paid to any unusual or significant terms, which should be clearly highlighted and not hidden in small print.

If there is any doubt as to the meaning of a term (or if its meaning is ambiguous), the interpretation most favourable to the consumer will prevail (the **contra proferentem rule**). If a term is found to be unfair, but does not affect the contract's core purpose, the contract may still be binding without that term.¹⁸⁰

A6c Enforcement

Consumers can challenge unfair terms by complaining to the **Competition and Consumer Protection Commission** (CCPC). If necessary, the CCPC can escalate these complaints to the High Court for a binding ruling. Under the CRA, where consumers are not provided with the remedies to which they are entitled under the Act, the Central Bank also has enforcement powers.

Firms found in breach of the CRA 2022 may face:

- Fines up to €60,000 or (in the case of an individual) imprisonment up to 18 months¹⁸¹
- Compensation orders requiring firms to reimburse affected consumers¹⁸²
- Prohibitions on using similar unfair terms in future contracts.¹⁸³

The CRA 2022 provides a robust framework for preventing the use of unfair contract terms, ensuring transparency and enforcing consumer rights. Insurers and intermediaries must ensure their policy terms are clear, balanced and legally compliant, to avoid enforcement actions and maintain consumer confidence.



contra proferentem rule

if a contract term is ambiguous, the interpretation adopted is the one that is least favourable to the party that drafted the term

Competition and Consumer Protection Commission

an independent, statutory body responsible for promoting compliance with, and enforcing, competition and consumer protection law in Ireland

¹⁷⁸ Section 130, CRA 2022.

¹⁷⁹ Section 133, CRA 2022.

¹⁸⁰ Section 135, CRA 2022.

¹⁸¹ Section 142, CRA 2022

¹⁸² Section 146, CRA 2022.

¹⁸³ Section 137, CRA 2022.

B

What are the compliance requirements in relation to payments and rebates?

This section explains the procedures for premium handling, including issuing receipts, processing rebates and maintaining client premium accounts in accordance with legal and regulatory obligations. These obligations aim to prevent financial mismanagement, fraud and conflicts of interest when managing client funds.

B1 Premium payments and receipts

Every time a payment is received – for a new policy, a renewal or a policy adjustment – the consumer must be issued a receipt. This serves as a formal acknowledgment of the transaction.¹⁸⁴

As Figure 6.1 shows, a receipt must include:

- The name and address of the firm receiving the payment (insurer or intermediary)
- The consumer's name and reference details (or details of the person on whose behalf the payment was made)
- The amount received and date of payment
- The purpose of the payment, e.g. premium, policy amendment fee, deposit.

If a consumer makes a payment to an intermediary, it is important to clarify that the acceptance of a completed insurance proposal does not itself put a policy into effect. Coverage begins only once underwriting is completed and the insurer accepts the risk.¹⁸⁵



¹⁸⁴ Regulation 122, CPR 2025.

¹⁸⁵ Regulations 122 and 308, CPR 2025.

Figure 6.1 A sample receipt



B2 Rebates

Under the CPC 2025, insurers and intermediaries must process **rebates** promptly, adhere to prescribed timeframes and maintain proper records of consumer payments and rebates.

The CPC 2025 requires that premium rebates must be refunded to the consumer within 10 business days of the rebate becoming ‘due’.¹⁸⁶ The point at which a rebate becomes due differs depending on whether it is handled by an insurer or an intermediary:

- For insurers – as soon as the insurer becomes aware of the circumstances that gave rise to it, e.g. switching to a full driving licence or removing an insured item
- For intermediaries – when the intermediary receives the rebate from the insurer. If the intermediary holds funds on behalf of the insurer, the rebate becomes due when the insurer authorises the intermediary to process the refund (as shown in Example 6.5).

¹⁸⁶ Regulation 348, CPR 2025.



rebate
refund



Example 6.5

Sarah has paid for her sister Nora, who is visiting from Tipperary, to be added to her motor insurance policy for a 2-week period. When Nora's planned visit is cancelled, Sarah contacts Shay to remove Nora from the policy.

Shay contacts the insurer, who confirms that a premium rebate is now due. The 10-business-day timeline now applies. Shay explains to Sarah that the insurer will send the refund either:

- Directly to Sarah within 10 business days, or
- To AllGood Brokers within 5 business days and he will ensure Sarah receives it within the following 5 business days.

As an alternative to issuing a refund to the consumer, insurers and intermediaries can offer the consumer the option of:

- Receiving a reduction on a renewal premium or any other outstanding premium due¹⁸⁷
- Donating the rebate to a registered charity.¹⁸⁸

Regardless of the option chosen, the firm must seek the consumer's consent on each occasion and must maintain a record of the consumer's decision. If the consumer opts for a charity donation, the firm must document the donation and retain a receipt from the charity.¹⁸⁹

B2a Intermediaries' role in handling rebates

Intermediaries may only process premium rebates for consumers if there is an express agreement with the insurer. This agreement must state that the intermediary is acting as the agent of the insurer for rebate transactions.

If an intermediary issues a rebate cheque to a consumer and it remains uncashed for more than 6 months from the date of issue, the intermediary must:

- Return the rebate to the insurer¹⁹⁰
- Not retain the funds for any other purpose.

Intermediaries must transfer rebate amounts in full to the consumer. If the consumer owes any outstanding charges, they must be invoiced separately and deductions cannot be made from the rebate unless the consumer has agreed in writing.¹⁹¹

¹⁸⁷ Regulation 349 (1)(a), CPR 2025.

¹⁸⁸ Regulation 349 (1)(b), CPR 2025.

¹⁸⁹ Regulation 349 (5), CPR 2025.

¹⁹⁰ Regulation 351, CPR 2025.

¹⁹¹ Regulation 351(2), CPR 2025.

B3 Client premium accounts¹⁹²

The CPC 2025 requires intermediaries to lodge all money received in payment of a premium or premium rebate to a segregated bank account designated as a 'client premium account'. The objectives behind client premium accounts are:

- Financial integrity
- Transparency
- Financial accuracy
- A financial trail (in the event of an audit or dispute)
- Compliance
- Consumer protection.

These accounts are specifically designed to ensure that consumer payments are securely held until they are transferred to the relevant insurer. By keeping these funds separate from a firm's business operating accounts, the risk of misuse (e.g. for operational expenses) is minimised.

The CPC 2025 prescribes what lodgements and payments can be made to and from the client premium account. Separate client premium accounts must be operated for life and non-life insurance business.

An insurance intermediary must undertake a detailed monthly reconciliation on each client premium account and ensure that funds in the account correspond to amounts due to the relevant insurers. This would involve matching each payment to the relevant policy details, which allows the intermediary to track and verify each transaction.

Client premium accounts must never be overdrawn.



financial crime

a wide term embracing money laundering, proceeds of crime, fraud, bribery and corruption

B4 Financial crime in the sales and post-sales process

As noted in Chapter 3A3, insurance advisers play a key role in preventing **financial crime** (e.g. fraud, money laundering and the financing of terrorism) during the sales and post-sales process. Example 6.6 provides two situations indicating possible suspicious activity.



Example 6.6

Situation A

An individual pays a large cash premium (using illegally obtained funds) but cancels the insurance policy shortly after inception. The premium refund from the insurer converts the illegal funds into apparently legitimate funds.

Situation B

An individual uses illegally obtained funds to purchase an asset (e.g. a car, property or item of jewellery) and makes a claim under an insurance policy for a total loss. The claim paid by the insurer converts the illegal funds into apparently legitimate funds.

¹⁹² Regulations 310-312, CPR 2025.



designated person

a category of person in a firm or organisation (or the firm itself), as listed in the **Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010–2021**, who is given responsibility to guard the firm or organisation against being used for money laundering or terrorist financing

customer due diligence

the requirement to obtain a certain level of documentation to confirm identification in order to satisfy anti-money laundering laws

politically exposed person

a natural person who is, or has been, entrusted with a prominent public function, and their immediate family members or known close associates

enhanced due diligence

the practice of collecting additional information and conducting deeper scrutiny to better understand the risk profile of a customer or transaction

financial sanctions

restrictive financial measure(s) imposed on individuals or entities in an effort to curtail their activities and exert pressure and influence on them (also including restrictions on trade, travel or civil aviation)



Just think

Recalling the money-laundering process in Figure 3.4, how do Situations A and B each represent placement, layering and integration?

In Situation A, placement occurred when the insurance premium was paid. The layering stage was the inception and cancellation of the policy. The process was then completed (integration) when the individual received the premium refund and was able to spend or bank it.

In Situation B, the purchase of the car, jewellery or property and payment of the insurance premium was the placement stage. The layering stage was when the policy was incepted and the claim was made. Integration occurred when the individual accessed the proceeds of the claim.

Insurance advisers should report these types of activities as suspicious transactions, as they are potential money-laundering cases.

An adviser who is a **designated person** must comply with anti-money laundering and counter-terrorist financing legislation by:

- Undertaking **customer due diligence** (CDD) before issuing a policy by
 - confirming the customer's identity using official documents, e.g. passport, driver's licence
 - checking the source of funds to ensure large cash payments or unusual transactions are legitimate
 - screening **politically exposed persons** (PEPs)
 - undertaking **enhanced due diligence** (EDD) (for high-risk customers, such as those making large cash payments or operating through complex business structures)
- Recognising suspicious transactions such as:
 - a customer who refuses to provide identification or gives conflicting details
 - large cash premium payments without a clear reason
 - frequent policy cancellations and refunds
 - third-party payments from unknown sources
- Reporting suspicious transactions by:
 - filing a Suspicious Transaction Report (STR) with An Garda Síochána and the Revenue Commissioners
 - refraining from alerting the customer (known as 'tipping off' and is illegal)
 - monitoring the transaction until further instructions are provided.

Non-life insurance contracts are outside the scope of the **Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010–2021** (CJA 2010–2021) and these enhanced obligations (e.g. identity checks, CDD, source of funds and PEP screening) do not apply. However, advisers must be vigilant in terms of possible fraud, criminal behaviour and suspicious activity. They should be able to recognise suspicious transactions, make a Suspicious Transaction Report and be familiar with the relevant **financial sanctions**.

C

How do we engage with consumers in the post-sales process?

This section focuses on the responsibilities of insurers and intermediaries with regard to communication, documentation and policy adjustments once a sale is completed.

C1 Ongoing post-sales communication

Firms must maintain general communication channels with consumers, ensuring:

- Prompt responses to post-sale queries about coverage, payments and claims procedures.
- Clarity on customer service points of contact for ongoing support.
- Accessibility of online portals or policyholder dashboards for self-service account management.

For Sarah and Mark, this arrived in a welcome pack, including information on a customer helpline, a QR code for their policy portal and an outline of how to alter or modify their policy mid-term if needed.

In addition, consumers must be able to provide instructions regarding their insurance products, including mid-term adjustments, such as address changes, cover adjustments (see Section C3), policy cancellations (Section A5) or renewals (Section C4).

C2 Terms of Business

As you learned in Chapter 4C2, the Terms of Business (TOB) document outlines the basis on which a firm conducts business with its clients. This document must be clear, transparent and provided before any service is delivered.

If material changes are made to the TOB, firms must ensure that all affected consumers receive updated versions at least 5 business days before the date on which the change takes effect, in compliance with the CPC 2025 requirements.¹⁹³

To minimise disruption and maintain consumer trust, it is advisable that firms:

- Schedule TOB updates to align with renewal notices, making it easier for consumers to review changes alongside their policy documents
- Use multiple communication channels, such as emails, online portals and printed statements, to ensure consumers receive the information
- Maintain a record of consumer acknowledgments, confirming receipt and understanding of the revised TOB.

¹⁹³ Regulation 62, CPR 2025.

C2a What are examples of material changes to a Terms of Business?

Examples of material changes that may affect consumers include the following:

- The firm alters its regulatory status, e.g. new licensing or authorisation updates.
- Changes are made to the range of services the firm offers.
- The remuneration structure changes, including fees, commissions or pricing models.
- The firm amends its data protection policy, as required under the GDPR.
- The firm's conflicts of interest policy is modified, affecting how business is conducted.

In notifying the consumer, the firm must outline the position prior to the change, so that the consumer can compare the position before and after those changes.¹⁹⁴

C2b How must firms communicate Terms of Business updates?

Under the CPC 2025, firms must notify consumers of TOB changes in a way that ensures transparency and accessibility. This means that the information about the TOB update must be provided on paper or another durable medium.¹⁹⁵

C3 Mid-term adjustments

Insurance policies require ongoing review to ensure that the cover remains appropriate for the policyholder's needs. Mid-term adjustments may be necessary during the policy period to reflect changes in the policyholder's contact details, personal circumstances or material changes to the risk itself. Example 6.7 outlines what some of these mid-term adjustments might be in different classes of insurance.



Example 6.7

- For household insurance – adding cover for a new home extension, updating the sum insured to reflect increased rebuilding costs or upgrading the level of protection following the installation of enhanced security systems
- For motor insurance – adding a named driver, changing the insured vehicle or notifying the insurer of new penalty points or driving convictions
- For commercial insurance – updating the stock levels of a business or revising liability coverage due to operational changes
- For private health insurance – adding a partner or child to the policy or switching to a different level of cover to meet changing healthcare needs.

Who is responsible for notifying changes? Under the 'alteration of risk' clause (see Section A1e), consumers are responsible for informing their insurer or intermediary about material changes that could affect their risk profile.

Intermediaries should guide consumers on whether changes require adjustments to their policy (as in Example 6.8), ensuring compliance with the **Consumer Insurance Contracts Act 2019**.

¹⁹⁴ Regulation 62, CPR 2025.

¹⁹⁵ Regulation 62(2), CPR 2025.



Example 6.8

Mark and Sarah move to a larger house in another area of Dublin and notify Shay.

He proactively reviews their home and motor insurance policies to reflect the new address and property risk features, including:

- The increased rebuild cost of the new house
- A revised valuation for contents
- The availability of off-street parking
- The impact of the area's rating (which may affect motor and property insurance premiums)
- Any other factors such as flood risks in the area.

Around the same time, Mark also tells Shay that he and his long-time friend Samuel (a self-employed landscape gardener based in Dundalk) have jointly purchased a commercial unit in North Dublin. Mark is considering using part of the unit as a satellite office for his IT consulting work, while Samuel may store gardening equipment and rent out unused space to another tradesperson.

Shay explains that in this case, standard property insurance will not be enough. He needs to:

- Identify the exact use of the premises, e.g. storage, office, subletting or trading
- Gather information on the construction and security of the premises
- Consider additional covers such as public and employers **liability insurance**, **business interruption insurance** and theft insurance.

Shay makes a note to follow up with both Mark and Samuel to secure further information to allow him to obtain quotations.



liability insurance

insurance that protects the policyholder against the consequences of being held financially responsible for a third party's injury, property damage or financial loss

business interruption insurance

insurance that protects a commercial policyholder against loss of profits and other expenses following damage to their property

C4 Renewals

Unlike other contractual arrangements, insurance policies typically operate on a 12-month cycle, requiring annual renewals.

For non-life general insurance policies, there is no obligation on either the insurer to offer to renew, or the insured to accept. There are two exceptions:

- Private health insurance. An insurer cannot refuse renewal on any grounds other than fraud or non-payment of premium.
- **Long-term agreements** (LTAs). For the insurer, the advantage of LTAs is in minimising the administration costs of renewing on an annual basis. For the policyholder, the benefit is in saving money through premium discounts. However, LTAs are only offered if the business savings are worthwhile for the insurer. In the face of increasing competition, they tend to be rare in practice and usually only available for large commercial insurances.



long-term agreement

an agreement whereby an insurer allows a discount if the insured renews the policy for an extended period (e.g. 3 years) on the same terms/ premium rates



Just think

Why do you think insurers generally wish to encourage the renewal of existing policies?

Even where there is no obligation to do so, insurers are keen to encourage renewal of policies because:

- The costs of renewing a policy are lower than the costs of acquiring new business
- Statistical information is more reliable if the database of existing clients remains stable.

During the renewal process, the areas explored by the adviser and the insured vary according to the particular client and type of insurance involved, but will typically include:

- Business description. Any change must be notified to ensure the validity and type of insurance policy. For example, a change of business description (e.g. from 'furniture sales' to 'furniture manufacturer') will change the client's insurance requirements. The insurer will consider the new liability exposures and may revise the premium or cover.
- Scope of cover. Are there any reasons why the client might wish to increase or reduce the scope of cover?
- Newly acquired items. This includes machinery, computers or extensions to a building and may affect the cover or sum insured. The adviser will also ask about any proposed acquisitions or building programmes.
- Particular issues or problems with claims. Issues such as unresolved claims, a policy cover shortfall or the possibility of fraudulent activity may lead to an underwriting decision to cancel the policy or change its terms.
- Client satisfaction. The client may have particular issues with the level of service provided.

C4a Renewal notification

The renewal procedures for all general non-life insurance classes (excluding marine and health) are dictated by the **Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2007 and 2018** (Renewal Regulations). The Renewal Regulations require an insurer to give written notification (including by email) no less than 20 business days before the renewal date, either inviting renewal or stating that it does not wish to renew the policy.

The Renewal Regulations allow insurers to send renewal notices through an intermediary. If so, the intermediary is responsible for making sure the renewal notice is issued within the specific timeframes given in the Renewal Regulations.





Just think

Is a consumer at a disadvantage when dealing with an intermediary, because of the delay in receiving renewal documentation?

No, because the Renewal Regulations state that the renewal information must be provided by the insurer to the intermediary in sufficient time to be forwarded to the client within the required time period.

The CPC 2025 also requires that non-life insurance consumers receive advance notification that their policy is due to expire, or falls due for renewal, no less than 20 business days before receiving their renewal notice.¹⁹⁶ This means that consumers should be alerted to their renewal at least 40 business days in advance of the policy expiry date. This gives the consumer time to shop around and/or consider their cover and insurance needs. (Section C4b looks at the requirements for the automatic renewal of non-life insurance policies.)

All non-life insurance renewal notices must include a breakdown of the policy cover and premium calculation.

In addition, the **Consumer Insurance Contracts Act 2019** requires that all non-life insurance renewal notices to consumers include the following information in relation to the previous 5 years (or since inception, if shorter), where available:

- The amount of the insurance premiums paid by the consumer to the insurer. Where applicable, this includes an annualised premium figure to reflect any mid-term adjustments.
- A list of any claims (including third-party claims) paid by the insurer to, or on behalf of, the consumer (except where the contract is a health insurance contract under the **Health Insurance Acts 1994–2022**).

¹⁹⁶ Regulation 346, CPR 2025.

C4a1 Motor insurance

Similar to motor insurance at the quotation stage (see Chapter 5D2b), the Renewal Regulations require motor insurers to provide more detailed information on the terms of the renewal notice. These terms must include:

- The registration number of each vehicle insured
- The name(s) of the driver(s) insured or the classes of drivers
- Policy cover, i.e. comprehensive; third party, fire and theft; third party only; or a combination of these
- The total premium for each policy cover option available (comprehensive; third party, fire and theft; third party only), if offered by the insurer
- The portion of the premium charged due to the client's claim(s) history or prior convictions
- The cost of any optional cover, ancillary to the motor cover, e.g. legal expenses or breakdown assistance
- Any additional fees or costs applied
- Any proposed changes to the policy terms, e.g. restrictions or limitations introduced
- Details of payment options available
- Any discounts applied, which must include the date of issue and:
 - discount percentage and amount
 - the no claims bonus percentage
 - number of years with no claims made against the policy
- (For private motor insurance policies only) the amount of the insurance premium paid in the previous year or, where any mid-term adjustments were made to the policy during the year, an annualised premium figure. (Note that the **Consumer Insurance Contracts Act 2019** requires renewal notices to include the amount of insurance premiums from the last 5 years – see Section C4a).

The statement of no claims bonus must be issued on a separate or separable piece of paper. This makes it easier and more convenient for the client to present to another insurer, should they decide to transfer their policy before the policy renewal date.

C4b Automatic renewal

Where a firm intends to automatically renew a consumer's insurance policy, they must provide clear, timely notification. For policies of 10 months or more, a written notice must be issued at least 20 business days before the renewal date, stating that the policy will automatically renew unless cancelled. The notice must outline cancellation rights and procedures, any changes to policy terms, any renewal-related fees and links to comparison tools such as the CCPC and HIA. If the insurer decides not to renew the policy, the same notice period applies.¹⁹⁷

For policies of less than 10 months, a renewal notice must be issued at least once per year while the policy continues to renew, including details of the automatic renewal, cancellation rights and procedures, fees, and reminders to compare market options. If renewal is not being offered, notice must be provided prior to the renewal date.¹⁹⁸

A consumer can cancel the automatic renewal of an insurance policy at any time and free of charge.¹⁹⁹

A firm cannot automatically renew a policy for pet, travel, gadget or dental insurance unless the consumer has agreed to automatic renewal.²⁰⁰

C4c Intermediary role in renewals

If the insurer sends renewal documents to the intermediary instead of the consumer, the intermediary must forward them immediately and unaltered, to ensure policyholders receive them on time (as in Example 6.9).



Example 6.9

Mark's motor insurance is due for renewal on Saturday, 18 October.

On Thursday, 21 August, Shay issues an advance notification of the renewal to Mark to remind him that his policy is approaching renewal and that a renewal notice will follow. This fulfils the CPC 2025 requirement to provide a reminder at least 20 business days before issuing the actual renewal notice.

On Thursday, 18 September, Shay issues the formal renewal notice containing all required information including last year's premium, current cover level, discounts, optional extras and updated terms. This ensures that Mark will receive them at least 20 business days before the renewal date as required under both the CPC 2025 and the Renewal Regulations 2018.

Intermediaries should review policy suitability, check alternative insurers and advise the consumer of alternative cover options if their needs have changed.

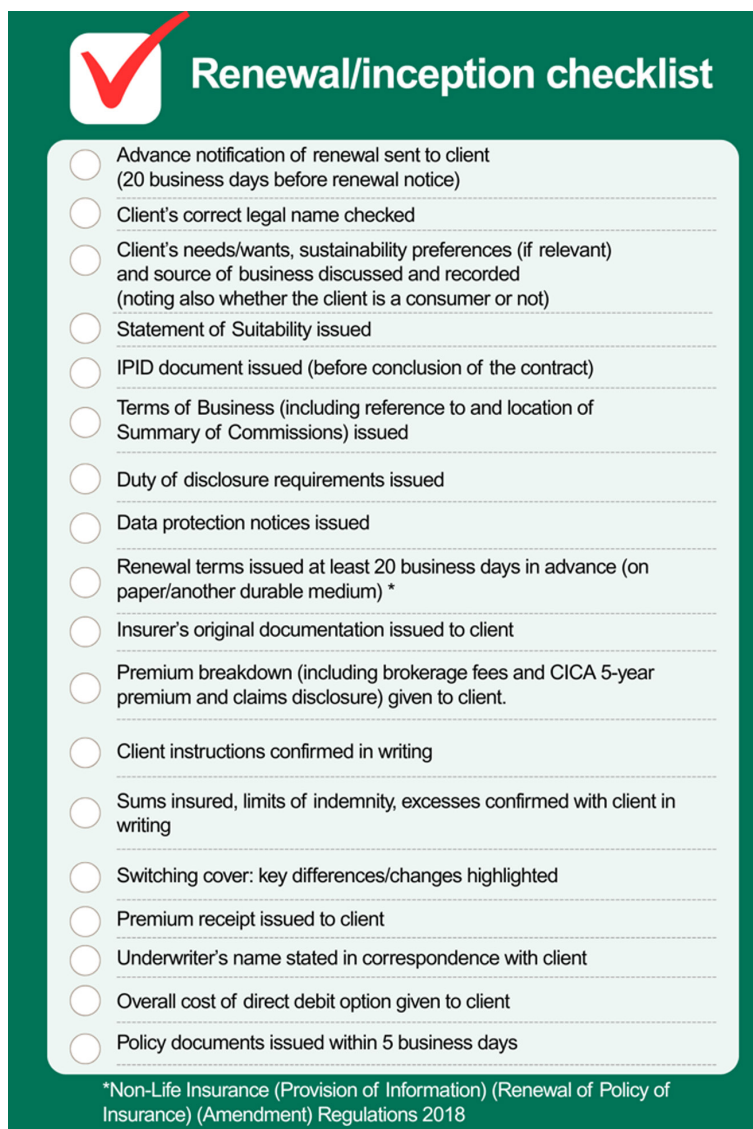
The checklist in Figure 6.2 can be used by insurers or intermediaries during the inception or renewal process.

¹⁹⁷ Regulation 325, CPR 2025.

¹⁹⁸ Regulation 326, CPR 2025.

¹⁹⁹ Regulation 324, CPR 2025.

²⁰⁰ Regulation 327, CPR 2025.

Figure 6.2 Renewal/inception checklist


Renewal/inception checklist

- ☐ Advance notification of renewal sent to client (20 business days before renewal notice)
- ☐ Client's correct legal name checked
- ☐ Client's needs/wants, sustainability preferences (if relevant) and source of business discussed and recorded (noting also whether the client is a consumer or not)
- ☐ Statement of Suitability issued
- ☐ IPID document issued (before conclusion of the contract)
- ☐ Terms of Business (including reference to and location of Summary of Commissions) issued
- ☐ Duty of disclosure requirements issued
- ☐ Data protection notices issued
- ☐ Renewal terms issued at least 20 business days in advance (on paper/another durable medium) *
- ☐ Insurer's original documentation issued to client
- ☐ Premium breakdown (including brokerage fees and CICA 5-year premium and claims disclosure) given to client.
- ☐ Client instructions confirmed in writing
- ☐ Sums insured, limits of indemnity, excesses confirmed with client in writing
- ☐ Switching cover: key differences/changes highlighted
- ☐ Premium receipt issued to client
- ☐ Underwriter's name stated in correspondence with client
- ☐ Overall cost of direct debit option given to client
- ☐ Policy documents issued within 5 business days

*Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) (Amendment) Regulations 2018

C4d Consumer obligations at renewal

Under the **Consumer Insurance Contracts Act 2019**, consumers are not obliged to provide additional information at renewal, unless the insurer expressly requests it. This may include asking a specific question about, or requesting an update on, information previously provided concerning a specific matter.²⁰¹ In these situations, the insurer must provide the consumer with a written copy of the information previously disclosed. The consumer must respond honestly and with reasonable care. If a consumer pays the premium without responding to the insurer's request, it will be assumed that their circumstances remain unchanged.

If the insured wishes to renew, they send the premium to the insurer or intermediary (unless the premium is paid by instalments). The insurer or intermediary then issues a receipt and confirmation of renewal, together with any relevant policy documents.

²⁰¹ Section 14, **Consumer Insurance Contracts Act 2019**.

C4e Non-consumer obligations at renewal

The **Consumer Insurance Contracts Act 2019** only applies to **consumers**. Insurance customers, falling outside of the definition of a consumer, continue to be subject to the duty of utmost good faith and the associated duty of disclosure, meaning that they are required to disclose all material facts, even if not specifically asked, when taking out or renewing a policy.²⁰²

C4f Summary of other activities

When an instruction is received from a consumer to alter, cancel or renew an insurance policy, insurers and intermediaries should take the opportunity to:

- Update all information held on the policyholder's file, e.g. if a driver received penalty points or a conviction, this should be noted on the motor insurance file and on any related policies
- Conduct a proactive review of the coverage provided
- Review available options, in particular for those with a poor claims history or requiring risk improvements
- Offer alternative products where necessary
- Encourage consumers to review their policy details to ensure continued suitability
- Inform the consumer about how their adjustment or choice of renewal may affect the policy coverage, e.g. in terms of cover limits, premium adjustments or possible exclusions
- Revisit the consumer's sustainability preferences (Example 6.10) and explore more suitable or sustainability-linked products.
- If there is a **service level agreement**, ensure that it is adhered to.



Example 6.10

A policyholder with a home insurance policy may request a product that covers solar panels, heat pumps or flood mitigation measures. The insurer should provide information on products tailored to such needs.



consumer

a customer that is:

- a natural person
- a group of natural persons including a partnership, club, charity, trust or other unincorporated body
- an incorporated body that:
 - does not have an annual turnover in excess of €5 million in the previous financial year
 - is not a member of a group of companies with a combined turnover of more than €5 million

service level agreement

an agreement made between the intermediary and the client for specific activities over and above the standard agreement in the Terms of Business Document

²⁰² Under the CICA, the definition of a 'consumer' is the same as that in the **Financial Services and Pensions Ombudsman Act 2017** (see Chapter 7C).

Consumer instructions must be recorded accurately and acted on without delay.²⁰³ In addition to processing the instruction promptly and properly, the adviser should consider whether the information affects other aspects of the consumer's insurance. If so, they must take that into account. Example 6.11 shows how this operates in practice.



Example 6.11

Shay receives notification that his clients, Mark and Sarah, are moving house and want to check the extent to which their household contents are covered while being moved to the new house in a rental van. This would prompt Shay to first consider the following actions:

- Check the couple's current household insurance cover to see if the contents are already covered and, if so, to what extent
- Change the correspondence (postal) address on the couple's file
- Check for any other policies the couple holds with his firm, ensuring addresses are updated and premiums reviewed if necessary.

Once Shay has checked and processed these details promptly (especially if the renewal date is approaching), he might then advise Mark and Sarah to take out separate furniture-in-transit cover.

²⁰³ Regulation 115, CPR 2025.

D

What are the requirements in terms of record keeping?

Ensuring secure handling of personal data is critical in the post-sales process. Insurers and intermediaries must be responsible with data and comply with legal, regulatory and consumer protection obligations.

Regulatory bodies, including the **Data Protection Commission (DPC)** and the Central Bank, require insurers and intermediaries to:

- Maintain detailed records of consumer transactions and communications for regulatory inspections, complaints handling and customer service
- Ensure data processing agreements with third-party providers (e.g. cloud storage or claims-handling firms) comply with the **General Data Protection Regulation 2016 (GDPR)** requirements
- Conduct periodic internal audits to monitor compliance with data protection legislation and the CPC 2025 (e.g. errors and complaints).²⁰⁴

Firms and advisers must maintain awareness of the impact of the GDPR and the CPC 2025 on the post-sales process.



Data Protection Commission

commission responsible for monitoring and enforcing the **General Data Protection Regulation 2016** and the **Data Protection Acts 1988–2018** in Ireland

D1 Record keeping and retention

The CPC 2025 and GDPR's record-keeping requirements not only make for good 'housekeeping' practices, but are also legally binding.

As you saw in Figure 3.2, the GDPR requires that personal data be accurate and up to date, processed in a secure manner and retained for no longer than necessary. The CPC 2025 requires that a firm maintain complete, orderly, accurate and readily accessible records.²⁰⁵

²⁰⁴ Section 71, **Data Protection Act 2018**.

²⁰⁵ Regulation 118, CPR 2025.

The CPC 2025 contains requirements about the nature of a firm's consumer records. At a minimum, they must include the following consumer details in an up-to-date form:

- A copy of all documents required for identification and profile
- Contact details
- All information and documents prepared in compliance with the CPC 2025
- Details of products and services provided
- All correspondence and details of any other information provided
- All consumer instructions received
- All documents or applications completed or signed
- Evidence of consent
- Copies of all original documents submitted when applying for supply of a service or product
- Records of complaints received
- All other relevant information and documentation.²⁰⁶

A firm's records must also identify customers who are 'consumers' as defined by the CPC 2025.²⁰⁷

Under the GDPR, firms must have a clear data retention policy outlining how they retain a consumer's personal data and how long it is retained for.

The CPC 2025 requires that a regulated entity retain a consumer's records for 6 years after the date on which:

- The particular transaction was completed or discontinued, or
- The regulated entity ceased to provide any financial service to the consumer.²⁰⁸

Where a quotation or offer of a financial service has been provided by a regulated entity, but was not availed of, the record of the offer can be retained for up to 12 months.²⁰⁹ However, this is subject to the consumer's consent. Where a consumer does not consent, or withdraws their consent, to a quote being retained by the firm, the firm is not required to retain it.²¹⁰

Records must be complete, orderly and accurate. If a firm is required to produce evidence to show its compliance with the CPC 2025, this must be provided in any period of time and in any format specified by the Central Bank.²¹¹



Quick question 4

State the CPC 2025's record-keeping requirements in relation to completed or discontinued transactions.

²⁰⁶ Regulation 115, CPR 2025.

²⁰⁷ Regulation 116, CPR 2025.

²⁰⁸ Regulation 117, CPR 2025.

²⁰⁹ Regulation 117(2), CPR 2025.

²¹⁰ Regulation 117, CPR 2025.

²¹¹ Regulation 118, CPR 2025.

D2 Data subject access requests

Consumers have the right to access and control their personal data under the GDPR. As in Figure 6.3 (see also Figure 3.3), these include the right to:²¹²

- Access. Consumers can request a copy of their personal data as a **data subject access request** (DSAR).
- Rectification. Consumers can request corrections to inaccurate data.
- Erasure ('Right to be Forgotten'). Consumers can request data deletion when retention is no longer necessary.
- Data portability. Consumers can request access to their data in a structured, machine-readable format.

Figure 6.3 Data subject rights



Firms must respond to data subject access requests within 1 month and ensure compliance with the GDPR (as in Figure 6.4).²¹³

Figure 6.4 Data subject access request



data subject access request

a formal request by a person for a copy of information about them that is (or intends to be) kept on computer or in a manual filing system by an entity or organisation

²¹² Articles 15-17 & 20, **General Data Protection Regulation 2016**.

²¹³ Article 15, GDPR 2016.

Under the **Data Protection (Access Modification) (Health) Regulations 1989**, a DSAR from a data subject for access to their personal medical information should be referred to their GP or another health professional, especially if the information relates to a serious medical condition. A person who is not a health professional should not disclose health data to the data subject without first consulting the data subject's own doctor or another suitably qualified health professional. In most cases the data subject will be referred to their GP or another medical professional to receive such information about their health.

D3 Data breaches

Under the GDPR, organisations are required to detect, report and respond to data breaches promptly. Insurers and intermediaries, as data controllers and processors, must comply with strict legal obligations to protect consumer data.²¹⁴

This section outlines the reporting process and consumer notification requirements that insurers and intermediaries must adhere to after a data breach has taken place. It also examines possible preventative and mitigation measures.

D3a What is a data breach?

A data breach occurs when personal data is accidentally or unlawfully destroyed, lost, altered, disclosed or accessed without authorisation. Example 6.12 shows some examples of personal data breaches under the GDPR.



Example 6.12

- Loss of customer information, e.g. policy details, payment records or health data
- Unauthorised access, e.g. where cybercriminals or employees gain access to data they are not permitted to view
- Accidental disclosure, e.g. emailing policy documents to the wrong customer
- Data corruption, e.g. where files are damaged, altered or encrypted by ransomware
- Loss or theft of physical records or digital devices containing personal data.

Even internal breaches, where an employee accesses policyholder data without valid business reasons, must be logged and investigated.

²¹⁴ Sections 84–86, **Data Protection Act 2018**.

D3b Reporting to the Data Protection Commission

Under the GDPR, insurers and intermediaries must report to the DPC within 72 hours, any data breaches that are likely to pose a risk to the privacy rights of individuals.²¹⁵

The report must include:

- Nature of the breach, e.g. cyberattack, accidental disclosure
- Categories of data affected, e.g. financial details, health records
- Number of individuals impacted
- Likely consequences for those affected
- Measures taken to address and mitigate the breach.

Failure to report a breach within the required timeframe or implement adequate security measures can result in:

- Regulatory fines – up to €20 million or 4% of global annual turnover, whichever is higher (see Example 3.2)
- Regulatory enforcement action by the DPC (see Case study 3.1)
- Reputational damage – loss of consumer trust and negative publicity
- Compensation claim – the consumer's right to sue for damages if they suffer harm due to a breach.

D3c Consumer notification

If a breach is likely to result in a high risk to consumer rights or freedoms, the firm must notify the affected individuals without undue delay.

A notification to consumers must include:

- A clear explanation of what happened
- What data was affected
- Steps taken to minimise harm
- Consumer guidance on actions to take, e.g. change of passwords, monitoring of financial statements
- A contact point for further information.

Firms may not need to notify individuals if:

- The data was encrypted and is unreadable
- The risk has been mitigated, preventing harm
- A notification would require disproportionate effort (in which case, public notification methods may be used).

Example 6.13 describes a typical procedure for reporting a breach of data.



Example 6.13

Sarah's travel insurance documents are emailed to the wrong client. Shay immediately notifies AllGood Brokers' Data Protection Officer, who logs the breach and contacts Sarah to explain the error and her rights.

²¹⁵ Section 86, **Data Protection Act 2018**.

D3d Preventative measures and risk mitigation

To reduce the risk of data breaches, insurers and intermediaries should:

- Encrypt personal data, especially when stored on laptops or mobile devices
- Implement multi-factor authentication (MFA) to prevent unauthorised system access
- Conduct staff training to reduce human error, e.g. sending emails to incorrect recipients
- Regularly audit access logs, ensuring only authorised personnel can access sensitive data
- Deploy cybersecurity tools, such as firewalls and anti-malware software.



E

What is the impact of technology on the insurance process?

As with many other sectors, Artificial Intelligence (AI) and digitalisation are transforming the insurance industry. However, while these advancements are enhancing overall efficiency and improving customer experiences and interactions, they pose challenges for compliance, ethics and regulatory practices.

The Central Bank has identified ‘technology-driven risks to consumer protection’ as a primary driver of consumer risk.²¹⁶ As already mentioned, the CPC 2025 deals specifically with digitalisation and aims to ensure that firms support their customers to harness the benefits and take action to mitigate the risks.²¹⁷

This section explores how AI and digitalisation impact on various stages of the insurance process.

E1 Technology and claims management

AI-driven automation has significantly impacted on claims management, allowing insurers to process claims faster and more accurately. AI can:

- Automate claims assessments by analysing policyholder data and claim details in real time
- Detect fraudulent claims by identifying anomalies and inconsistencies in claim patterns
- Enhance risk assessment by evaluating large datasets to predict fraud risks.

From a consumer protection and compliance perspective, it is important that:

- AI-based decisions are explainable and transparent, to avoid unfair claim denials
- Policyholders have the right to challenge AI-driven claim outcomes
- AI does not introduce biases in claims processing.

Firms must consider that a claim itself may place a consumer in a vulnerable circumstance, e.g. bereavement, illness, financial hardship. Where AI is used in the claims process, firms should ensure there are:

- Flags to detect indicators of vulnerability, e.g. delayed responses, confusion, high emotional tone in communications
- Trained ‘human’ claims handlers involved in any escalation procedures, to offer enhanced support
- Compliance checks to ensure the AI does not automatically decline or underpay valid claims due to rigid, rule-based reasoning (as in Example 6.14).

²¹⁶ Central Bank of Ireland, *Consumer Protection Outlook Report 2023*, p.21, www.centralbank.ie.

²¹⁷ Chapter 4, **Consumer Protection Regulations 2025**.



Example 6.14

If an AI system incorrectly denies a legitimate claim due to an anomaly in historical claim data, the insurer must provide a clear, human-led review process to rectify the decision.

E2 Technology and fraud detection

Fraud detection is one of the most advanced and widely adopted applications of AI in the insurance industry. AI allows large volumes of structured and unstructured data to be analysed, and patterns or anomalies that may indicate fraudulent activity to be identified. The analysis includes monitoring customer behaviour to flag suspicious interactions and linking information across claims, policies and external sources to uncover organised fraud rings. Machine learning by AI models continually refines the accuracy of the analysis. This helps insurers to detect fraud earlier in the claims lifecycle, reduce financial losses and improve operational efficiency.

From a consumer protection and compliance perspective, it is important that:

- AI systems are regularly audited to ensure they do not introduce bias or unfairly target specific demographic groups
- Insurers are able to explain why a claim or customer was flagged, maintaining transparency in the decision-making process
- AI-driven fraud detection is GDPR-compliant and any data used is lawfully processed.

E3 Technology and customer engagement

Chatbots and virtual assistants are widely used in customer interactions. This enhances customer engagement by:

- Providing real-time answers to customer queries
- Assisting with policy renewals, cancellations and adjustments
- Offering personalised policy recommendations based on customer data.

From a consumer protection and compliance perspective, it is important that:

- AI chatbots provide accurate and compliant information to avoid misleading consumers
- AI interactions adhere to the GDPR and data protection legislation, ensuring that personal data is handled securely
- AI does not replace human involvement and oversight entirely, particularly for complex post-sale inquiries or disputes
- AI systems are designed to recognise potential indicators of consumer vulnerability, e.g. difficulty understanding options or terminology, use of emotional or erratic language, repeated questions or signs of confusion. Where such indicators are detected, the AI should be programmed to:
 - escalate the interaction to a human adviser, or
 - offer alternative communication options (e.g. phone call, written summary, or video call), in line with the *CPC Guidance on Protecting Consumers in Vulnerable Circumstances*.

E4 Technology, compliance and risk management

Technology plays a key role in compliance monitoring, helping insurers to manage regulatory obligations efficiently. AI systems can:

- Monitor transactions to detect suspicious activities, e.g. fraud, money laundering
- Ensure documentation accuracy by flagging incomplete or non-compliant records
- Support audit trails and regulatory reporting, reducing manual compliance efforts.

From a consumer protection and compliance perspective, it is important that:

- AI is programmed to identify regulatory violations accurately, without generating excessive false positives
- AI-driven compliance checks do not disproportionately impact certain customer groups due to biased training data
- Firms can explain and validate AI-driven compliance mechanisms as required by the Central Bank and EU regulators.

E5 Technology and consumer protection

While these technological innovations are revolutionising the insurance industry and its processes, they are also introducing challenges for insurers in their efforts to protect consumers and maintain regulatory compliance. As already mentioned throughout this section, the key focus should be on:

- Maintaining consumer rights by including human oversight in key processes, e.g. in making AI or technology-based decisions
- Ensuring that AI-driven or **automated decision-making** is fair, explainable and open to challenge²¹⁸
- Overseeing and auditing systems to ensure AI does not introduce biases
- Adopting data protection measures that comply with the GDPR (including **data minimisation**, data privacy and secure processing)
- Preparing for AI regulations from the EU and Central Bank, such as the EU **Artificial Intelligence Act 2024** and the **Digital Operational Resilience Act 2022**.



automated decision-making

process by which computer programmes analyse data and make judgements without human involvement

data minimisation

limiting the collection and processing of personal data to what is necessary for a specific, legitimate purpose

²¹⁸ Recital 71, GDPR 2016.



Summary

The post-sales process covers many tasks such as the issuing of policy documentation, processing of payments, administration of policy amendments and cancellations, and the ongoing protection of consumers. Firms must handle such tasks efficiently while maintaining accurate records.

Proactive customer engagement (including mid-term reviews, renewals and updates to the TOB) helps to ensure that insurance cover remains suitable and that any material changes are properly addressed. Post-sale compliance with data protection obligations and technological oversight is also essential to maintaining trust, legal compliance and service quality.

F1 What's next?

Chapter 7 is the final chapter and it considers what happens if there is a problem with an insurance product or service. It explores the process and regulations to be followed, and the adviser's obligations if the consumer experiences an error or has a complaint.

F2 Study tips

It is important to remember that this textbook is the primary information source for this module. All the questions in your exam will relate directly to information featured in the textbook. Use the 'End-of-chapter questions', 'Quick questions' and the 'Sample multiple-choice questions' to quickly test what you've learned so far. Make a note of any topics/areas you need to improve in and keep it to hand so you can refer to it when you revise this chapter again before your exam.

F3 Online learning supports

In addition to the textbook, the Institute's learning platform (which can be accessed via your Member Area on www.iii.ie) has many online learning supports that can help you as you study this module. These include a Guide to Success, microlearning resources and study tips guide. These learning supports are invaluable in reinforcing what you have learned from the textbook so far. The interactive study chapters, chapter-by-chapter key points and other supports will help you to break down the chapter content when revising.

Completing online mock exams and reviewing the personalised feedback that follows is a great way of testing your knowledge and preparing for exam day.



End of chapter questions

Use these questions to test your understanding of what we've covered in Chapter 6.

1. State the timeframe for an intermediary to provide policy documentation to a consumer.

2. State five pieces of information that typically appear on a policy schedule.

3. State the effect of a 'general exclusion' in an insurance policy.

4. Apart from the certificate number, policy number and policyholder's details, identify the specific policy information that must appear on a Certificate of Motor Insurance, under the terms of the **Road Traffic (Compulsory Insurance) Regulations 1962**.

5. Outline the effect of a term considered 'unfair' in an insurance contract with a consumer.

6. List the information that a receipt must contain for every payment received by a firm.

7. When there is a rebate due to a client, state the time limit for the intermediary to refund what is due.

8. As an alternative to issuing a refund to the consumer, state a firm's other options.

9. Outline how a non-life insurance policy could be used as part of a money-laundering process.

10. Outline what an adviser must do if they detect a suspicious transaction.

11. Under the CPC 2025, state when a firm must provide affected clients with an updated Terms of Business Document.
-
-
12. Outline the broad headings under which an intermediary would gather information for a renewal review with a business client.
-
-
13. List the specific information that must be included in a renewal notice for a motor insurance policy under the terms of the **Non-Life Insurance (Provision of Information) Regulations 2007** and **2018**.
-
-

Answers to end of chapter questions

Check your answers against those below and make a note of any points you left out. This will highlight some sections you may need to look at more closely during your revision.

1. The intermediary must provide policy documentation to the consumer within 5 business days of receipt from the insurer. The 5-business-day period begins on receipt of the documentation from the insurer. However, there may be a need for the intermediary to act more quickly if the insurer was late in sending the policy documentation.
2. Any five of the following:
 - Policyholder's name and address
 - Policy number
 - Period of cover (inception and renewal dates)
 - Premium
 - Details of the subject matter
 - Sum insured or limit of liability
 - Territorial limits (if any)
 - Special endorsements, exclusions or warranties (non-consumer contracts).
3. An exclusion states the circumstances or types of losses that are not covered. A general exclusion applies to the whole of the policy (rather than to a specific section).
4. Apart from the certificate number, policy number and policyholder's details, a Certificate of Motor Insurance must contain the following information:
 - Period of cover
 - Limitations as to use
 - Persons or classes of persons covered
 - Vehicle registration details
 - Drivers or classes of drivers covered
 - Declaration (of an approved policy under the Road Traffic Acts)
 - Signature/seal of the insurer and address
 - Signature of the person authenticating on behalf of the insurer
 - Date of authentication.
5. An unfair term will not be binding on the insured. However, if the contract can survive without the presence of the term, then the contract will continue to be legally binding.

6. The receipt must show:
 - The firm's name and address
 - The consumer's name and reference details
 - The amount paid and date received
 - The purpose of payment
 - In the case of an insurance intermediary, that their acceptance of a completed insurance proposal does not itself put an insurance policy into effect.
7. The intermediary must refund what is due within 5 business days of the rebate becoming due.
8. As an alternative, the firm can offer the consumer the option of receiving a reduction on a renewal premium or any other outstanding premium due, or donating the rebate to a registered charity.
9. A person/organisation/business may effect a non-life insurance policy and then cancel it shortly after inception to obtain the return premium. They may also make a fraudulent claim for loss or damage to the subject matter of the insurance.
10. If an adviser detects a suspicious transaction, they must:
 - File a Suspicious Transaction Report (STR) with An Garda Síochána and the Revenue Commissioners
 - Refrain from alerting the customer
 - Monitor the transaction until further instructions are provided.
11. A firm must also provide a revised TOB at least 5 business days prior to the date on which a change takes effect in respect of the affected consumer.
12. Typical headings include:
 - Business description
 - Scope of cover
 - Newly acquired items
 - A claims review
 - A review of client satisfaction.

13. Under the terms of the Renewal Regulations, motor insurance renewal notices must include:
- The registration number of each vehicle insured under the policy
 - The name(s) of the driver(s) insured or the classes of drivers
 - Policy cover (comprehensive; third party, fire and theft; third party only; or a combination of these)
 - The total premium for each policy cover option available, i.e. comprehensive; third party, fire and theft; third party only) if offered by the insurer
 - The portion of the premium that has been charged because of the client's claim(s) history or prior convictions
 - The cost of any optional cover ancillary to the motor cover, e.g. legal expenses or breakdown assistance
 - Any fees or costs applied (other than the premium)
 - Any proposed changes to the policy terms, e.g. restrictions or limitations introduced
 - Details of payment options available
 - Any discounts applied, which must include the date of issue and the:
 - discount percentage and amount
 - the no claims bonus percentage
 - number of years with no claims made against the policy (plus NCB statement issued on a separate or separable piece of paper)
 - (For private motor insurance policies only) the amount of the insurance premium paid in the previous year or, where any mid-term adjustments were made to the policy during the year, an annualised premium figure.

Answers to Quick questions

1. The answer is 'straight away'. The insurer was late in supplying the documentation to the intermediary and, although the intermediary has a timeframe of 5 business days, the due date for receipt by the consumer should be no longer than 10 business days overall. Terms were agreed and the contract was underwritten on 25 January. This means that the policy documentation should be provided to Mark and Sarah by 8 February.
2. The perils you would expect to see under the operative clause on a household policy are fire, storm, flood and theft.
3. The sections of the policy where you would find these items are the:
 - Schedule (the elements specific to the individual insured)
 - Operative clause (clause(s) that describes the standard scope of cover of each section of an insurance policy)
4. Under the CPC 2025, details of individual transactions must be kept for 6 years after the date on which the particular transaction is discontinued or completed, or after the regulated entity ceased to provide any financial service to the consumer.



Sample multiple-choice questions

Note: In your exam you will be awarded +3 marks for every question answered correctly, –1 mark for every question answered incorrectly and 0 marks for every question you choose not to attempt. On the answer form you complete in the exam, you will be required to choose from options A, B, C, D or E. Options A-D correspond with a possible answer to the question, while selecting Option E confirms that you are choosing not to attempt the question. When you attempt the mini-mock and full mock exam papers available on the Institute's online learning platform, this marking system is applied to allow you to prepare for your exam.

1. What is the meaning of the *contra proferentem* rule under the **Consumer Rights Act 2022**?
- A. In cases of ambiguous wording, the interpretation most favourable to the consumer will prevail.
 - B. The burden of proof lies with the dominant party, to show that a contractual term has been individually negotiated.
 - C. For a contract to be valid, it should not be intrinsically unfair to any party.
 - D. There is a presumption that all parties to a contract act in good faith.

Your answer:

☐

2. George's motor insurance policy is due for renewal with his insurer, Inca Insurance, on 5 December. The **latest** date by which George should receive his renewal notice from Inca is:
- A. 7 November
 - B. 14 November
 - C. 20 November
 - D. 28 November

Your answer:

☐

3. Craig has requested access to the personal data his insurer holds about him but his insurer advised that this will not be sent to him personally. This is most likely because the data:
- A. is held in paper form
 - B. relates to Craig's medical details
 - C. is suspected of being factually incorrect
 - D. was not obtained fairly

Your answer:

☐

Answers to sample multiple-choice questions

Question 1

Chapter reference: Chapter 6A6b

Question type: K

Correct response: A

Learning outcome: Demonstrate the impact of the main legal and regulatory requirements on the scope and provision of post-sales information and on rebates.

Question 2

Chapter reference: Chapter 6C4

Question type: A

Correct response: A

Learning outcome: Identify the post-sales points of contact with customers and the impact of regulations on the tasks to be undertaken.

Question 3

Chapter reference: Chapter 6D2

Question type: U

Correct response: B

Learning outcome: Demonstrate the impact of the main legal and regulatory requirements on record keeping in the post-sales period.

How are errors, complaints and disputes resolved in the insurance market?

What to expect in this chapter

This chapter provides:

- An outline of the regulatory requirements concerning errors, complaints and disputes
- Examples of the mechanisms used to resolve disputes between a consumer and a financial service provider.

This textbook has considered how government, regulators and industry bodies try to ensure best practice and the fair treatment of consumers. We have studied the legislation, regulations and codes that protect consumers in their dealings with regulated firms and aim

to minimise potential problems or disputes. However, it is not possible to completely eliminate errors, complaints or disputes about insurance products and services. Such situations may still arise during the insurance process despite a firm's commitment to best practice.

Before we consider the specific rules for dealing with such situations, it is worth remembering that the Central Bank CPC 2025 states that a firm must at all times 'act in the best interests of customers and treat them fairly and professionally'.²¹⁹

²¹⁹ Regulation 4, **Standards for Business Regulations 2025**.

Learning outcomes for this chapter

Section	Title	At the end of each section you should be able to:
A	How do we deal with errors?	Demonstrate the regulatory requirements surrounding the resolution of errors.
B	How do we deal with complaints?	Demonstrate the regulatory requirements surrounding the resolution of complaints.
C	What is the role of the Financial Services and Pensions Ombudsman?	Explain the role of the Financial Services and Pensions Ombudsman in dispute resolution.
D	What is the purpose of the Insurance Compensation Fund?	Explain the role and scope of the Insurance Compensation Fund.

A

How do we deal with errors?

As already noted, despite best practice, rules and regulations, it is not possible to completely eliminate errors and such situations may still arise. Examples of errors include:

- Incorrect brokerage fee applied
- Wrong or insufficient cover
- Misinterpretation of the policy which negatively affects the claims settlement
- Failing to issue rebates/refunds
- Wrong no claims bonus percentage applied
- A system error resulting in a failure to record penalty points
- Omitting an element of cover a client has requested
- Failing to issue a Terms of Business Document
- A pricing error leading to overcharging.

The Central Bank continually reminds boards and senior management that they are key to setting the firm's tone, culture and governance processes around the handling of errors.²²⁰ Errors broadly fall into two categories:

- A one-off error that affects a small or limited number of clients
- A systemic error that has the potential to impact a very large number of clients.

While this section focuses on how you might handle one-off errors in your job, the Central Bank expects senior management to analyse patterns of errors to improve systems and processes and prevent reoccurrences.

A1 Written procedure

The CPC 2025 requires firms to have effective written procedures in place for the appropriate and effective handling of errors that, at a minimum, allow them to:

- Identify the cause and impact of errors
- Identify all potentially affected consumers
- Properly control the correction process
- Analyse patterns of errors at least every 6 months
- Detect and escalate (refer) significant errors and error analysis to compliance/risk functions and senior management.²²¹

²²⁰ Central Bank of Ireland, 2015. *Feedback on Desk-Based Review on Governance of Errors' Processes within Banks and Insurers*, www.centralbank.ie.

²²¹ Regulation 96, CPR 2025.

A2 Resolving errors

A firm must resolve all errors speedily and no later than 6 months after the date the error was discovered. This includes (where possible):

- Correcting any systems failures
- Ensuring that effective controls are put in place to prevent any recurrence
- Issuing refunds (with appropriate interest) to all those financially affected by the error
- Notifying in a timely manner all affected consumers (both current and former) of any error that has impacted, or may impact, negatively on the cost of the service or the value of the product provided.²²²

The Central Bank advocates for a proactive, comprehensive and consistent approach to identifying and correcting systemic errors in the financial services industry, regardless of whether they initially appear to be beneficial or detrimental to the firm.



Just think

Consider whether six months seems an unnecessarily long time for a firm to fix an error.



Quick question 1

In relation to errors, briefly explain what must be reported to senior management under the CPC 2025.

The answer is at the end of this chapter.

This 6-month timeframe may seem generous but in the case of systemic errors or those that take time to identify and action (e.g. IT changes), this amount of time might be needed. In the case of one-off errors, it is expected that they would be speedily resolved and well within the 6-month timeframe.

A firm must take all reasonable steps to make a prompt refund due to a consumer as a result of an error and must keep a record of the steps taken.²²³

A firm must not benefit in any way from the error, e.g. if a refund cannot be repaid.²²⁴



²²² Regulation 97, CPR 2025.

²²³ Regulation 98, CPR 2025.

²²⁴ Regulation 98, CPR 2025.

**Quick question 2**

An insurer discovers, as part of an audit, that claims staff have misinterpreted the private motor policy wording. As a result, they have been applying a higher excess to private motor theft claims than the policy states. What action should the insurer take?

A3 Record-keeping

A firm must maintain a log of all errors affecting consumers. This log must contain:

- Details of the error, date and means of discovery
- The period over which the error occurred
- The number of consumers affected and the amounts involved
- The status of the error and the date on which it was finally resolved
- The number of consumers refunded, the total amount refunded and details of any charitable donations made
- Details of any other remediation steps taken.²²⁵

A record must be kept of all steps taken to resolve such errors, with regard to:

- Any affected consumers who were dissatisfied with the outcome
- Any difficulties in contacting affected consumers
- A refund that could not be repaid.²²⁶

²²⁵ Regulation 99, CPR 2025.

²²⁶ Regulation 100, CPR 2025.

B

How do we deal with complaints?

The CPC 2025 defines a complaint as an expression of grievance or dissatisfaction made by a consumer to a firm, either orally or in writing, in connection with:

- The provision, or offer of provision, of a product or service
- The failure or refusal to provide a product or service.²²⁷



B1 Governance arrangements

The Central Bank places significant emphasis on the handling of complaints as shown by the settlement agreement between the Central Bank and AXA Insurance Ltd (Example 7.1).



Example 7.1²²⁸

In 2016, the Central Bank imposed a penalty of €675,000 on AXA Insurance Ltd (AXA) for breaches of the MCC and CPC. One of the breaches related to the firm's failure to comply with the Complaints Resolution provisions of the CPC 2012, namely, having a written procedure in place for the proper handling of complaints, processing complaints efficiently and fairly, and maintaining an up-to-date log of all consumer complaints.

Derville Rowland (Central Bank Director of Enforcement) commented:

The protection of consumers of financial services remains a high level goal for the Central Bank and compliance with consumer focused legal and regulatory requirements is a key priority.

²²⁷ Regulation 2, CPR 2025.

²²⁸ Central Bank of Ireland, 2016. 'Settlement Agreement between the Central Bank of Ireland and AXA Insurance Limited', 28 July, www.centralbank.ie.

The Central Bank requires firms to have robust governance arrangements around complaints handling and take all reasonable steps to resolve any consumer complaint.²²⁹ To comply with the CPC 2025, a firm must have written complaints handling procedures, record keeping and analysis.

B2 Written procedures

Every firm must have a written procedure for the proper managing and resolving of complaints. Whether a complaint is made orally, in writing or by electronic means, the firm must make an offer to the consumer to have it handled according to the complaints process.²³⁰

The firm must make its complaints procedure available in a prominent place on all of its websites and provide a hard copy of the procedure to a consumer, on request, within 5 business days.²³¹

B3 Complaints management and resolution procedures

There are specific requirements on how a firm should manage and resolve a complaint from a consumer. At a minimum, the complaints procedure must provide for the firm to:

- Acknowledge each complaint received in writing within 5 business days or, for complaints received online/via a website, immediately or automatically
- Provide the complainant with a point of contact within the firm until the complaint is resolved or cannot progress any further
- Provide the complainant with a regular update in writing on the progress of the complaint investigation, at intervals of no greater than 20 business days
- Attempt to investigate and resolve a complaint within 40 business days of receiving it
- Where the 40 business days have elapsed and the complaint is not resolved, inform the complainant of:
 - the timeframe within which it hopes to resolve the complaint
 - their right to refer the matter to the **Financial Services and Pensions Ombudsman** (FSPO)
 - the contact details of the FSPO.

Within 5 business days of the completion of the investigation, the firm must advise the consumer in writing of:

- The outcome of the investigation
- Where applicable, the terms of any offer or settlement being made
- The consumer's option to refer the matter to the FSPO
- The contact details of the FSPO.

Examples 7.2 and 7.3 illustrate how a complaints process might work in practice.



Financial Services and Pensions Ombudsman

office that deals independently and impartially with unresolved complaints from consumers about the conduct of a pensions provider or a regulated financial service provider

²²⁹ Regulations 107 and 101, CPR 2025.

²³⁰ Regulations 102 and 103, CPR 2025.

²³¹ Regulation 105, CPR 2025.



Example 7.2

Samuel uses BeSafe's website to lodge a complaint about their refusal to insure his work van. He receives an automatically generated acknowledgment of his complaint that provides the name and contact details of Imelda as his BeSafe point of contact until the complaint is resolved. The next day Imelda contacts Samuel and explains why his vehicle did not meet BeSafe's underwriting criteria and why his insurance application was refused. Samuel understands and thanks Imelda for her time. Since the matter is resolved to Samuel's satisfaction within 1 business day, aside from an entry on BeSafe's complaints log, the CPC 2025 complaints procedure does not need to be applied.



Example 7.3

A professional indemnity claim was made against Nora by a client. Nora is unhappy with the way the claim was handled and has made a complaint to BeSafe, the insurer. In the course of investigating Nora's complaint, Imelda (Nora's BeSafe point of contact) phones her every two weeks to update her on progress.

It has now been 6 weeks since Nora first made the complaint and today, she received a letter from BeSafe explaining that they are awaiting a report from their legal team, which is reviewing the procedure followed during the processing of the claim. The letter explains that this is why the matter has not yet been resolved and that they hope to resolve the complaint within the next 2 weeks. The letter informs Nora that she has the right to refer her complaint to the FSPO and includes the FSPO's contact details.



Quick question 3

In what timeframe must a firm attempt to investigate and resolve a complaint once received?

There is no need to follow the full procedure if the complaint has been resolved to the complainant's satisfaction within 5 business days. Either way, both the complaint and its resolution must be recorded in the complaints log.²³²

The firm must have systems and controls in place to effectively track and manage the progress and resolution of complaints.²³³

As with the other stages of the insurance process, firms and advisers must give special consideration to consumers in vulnerable circumstances and ensure they are given reasonable assistance, so that they can access the complaints process. Chapters 4B1 and 5B2b included guidance on what this reasonable assistance might look like.

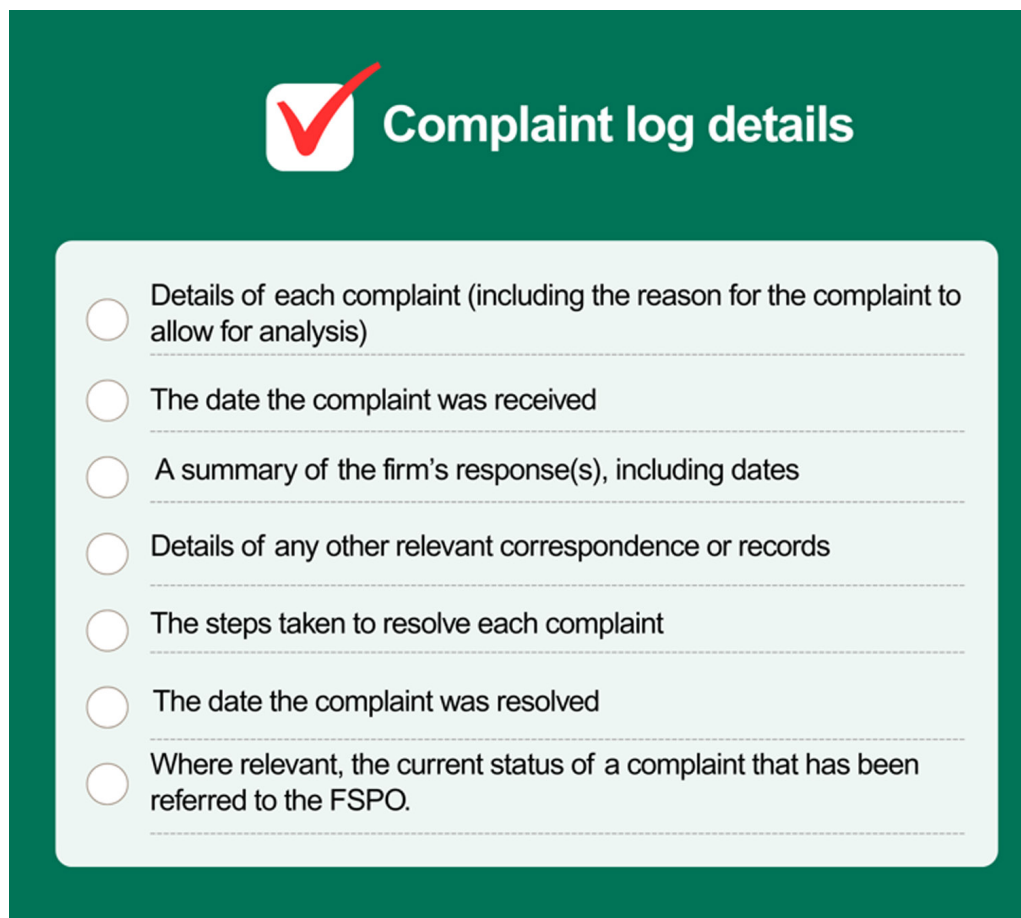
²³² Regulation 105, CPR 2025.

²³³ Regulation 104, CPR 2025.

B4 Record-keeping

A firm must maintain an up-to-date log of all complaints from consumers. The log must contain the details listed in Figure 7.1.²³⁴

Figure 7.1 Complaints log details



Complaint log details

- ☐ Details of each complaint (including the reason for the complaint to allow for analysis)
- ☐ The date the complaint was received
- ☐ A summary of the firm's response(s), including dates
- ☐ Details of any other relevant correspondence or records
- ☐ The steps taken to resolve each complaint
- ☐ The date the complaint was resolved
- ☐ Where relevant, the current status of a complaint that has been referred to the FSPO.

Records for each complaint must be up to date and comprehensive.

B5 Analysis

At least once every 6 months, the firm must analyse the rate of occurrence and patterns of complaints from consumers including those resolved within 5 business days. This analysis and data on the number of complaints handled and resolved must be referred to the firm's compliance/risk function and senior management.²³⁵



Just think

Why would the Central Bank want the analysis of rate of occurrence and pattern of complaints escalated to senior management?

While each individual complaint is important in its own right, the Central Bank wants any complaints pointing to systemic weaknesses, or to a wider effect on consumers, to be considered at senior level and appropriate action taken.

²³⁴ Regulation 106, CPR 2025.

²³⁵ Regulation 107, CPR 2025.

B6 Next steps for unresolved complaints

Sometimes, disputes between a policyholder and an insurer cannot be resolved through the normal complaints process. For example, there may be a fundamental disagreement about policy cover, or the amount of the claim paid.

In this situation, a final response letter should be issued to the complainant. This letter should set out what the firm has done to investigate the complaint through its complaints handling process and should advise the complainant to contact the FSPO if they want to pursue it further.



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

C

What is the role of the Financial Services and Pensions Ombudsman?

The Financial Services and Pensions Ombudsman (FSPO) deals independently and impartially with unresolved complaints from consumers about the conduct of a pensions provider or a regulated firm. The financial services complaints are funded by a levy on firms and the pensions complaints are funded by the Exchequer, through the Department of Finance.²³⁶ The service is impartial and free to the complainant.



An tOmbudsman Seirbhísí
Airgeadais agus Pinsean
Financial Services and
Pensions Ombudsman

The FSPO encourages all parties to meaningfully engage in informal complaints-handling processes and to rely on its involvement only as a last resort. Part of the FSPO process requires consumers to first make the complaint to their firm, where it must be handled in accordance with the firm's internal complaints' procedure (see Section B). To ensure that the firm has exhausted all measures to try to resolve the complaint internally, the FSPO will want to see the 'final response letter' referred to in Section B6.

For complaints that remain unresolved, the FSPO adopts a **mediation**-oriented approach.

C1 Eligible complainants and ineligible complaints

The FSPO mediates complaints made by eligible complainants about the conduct of regulated firms and, where necessary, investigates and adjudicates on the complaint.

In relation to non-life insurance, an eligible complainant can be:

- A consumer
- A surviving dependant of a consumer
- A legal personal representative of a consumer who has died
- A widow, widower or surviving spouse or civil partner of a consumer who has died.



mediation

informal method of dispute resolution involving a neutral mediator, who helps the parties to work out their own solutions without apportioning blame

²³⁶ For additional information, go to the Financial Services and Pensions Ombudsman website: www.fspo.ie.

A consumer is a:

- Private individual
- Limited company
- Sole trader
- Trust
- Club
- Charity
- Partnership.

Except in the case of private individuals, the turnover in the preceding financial year must not have exceeded €3 million.²³⁷

A consumer may not be entitled to make a complaint if the conduct complained of:

- Is or has been the subject of legal proceedings before a court or tribunal
- Is or has been the subject of a decision of the Ombudsman, the Financial Services Ombudsman or the Pensions Ombudsman
- Occurred more than 6 years before the complaint is made (for short-term financial services)
- Was not communicated to the firm, or the firm was not given reasonable time to respond.

The FSPO can decide not to investigate a complaint or to discontinue investigating a complaint on any of the following grounds:

- The complaint is frivolous or vexatious or was not made in good faith.
- The subject matter of the complaint is trivial.
- The conduct complained of occurred too far in the past to justify investigation.
- An alternative and satisfactory means to redress the complaint is (or was) available to the complainant.
- The complainant has no, or insufficient, interest in the conduct complained of.
- The subject matter of the complaint is so complex that it would be more appropriate for the courts to deal with.
- The consumer fails within a reasonable period to comply with a request for further written particulars.

²³⁷ The CPC 2025 increased the turnover threshold for a consumer from €3 million to €5 million, so there is a difference in the CPC 2025 and FSPO definitions of consumer. It is expected that the FSPO definition will be amended so that they are consistent.

C2 Decisions of the FSPO

Having investigated a complaint, the FSPO can direct the firm to do one or more of the following:

- Rectify or change the conduct complained of or its consequences.
- Provide reasons or an explanation for that conduct.
- Change the practice that was the subject of the complaint.
- Pay compensation to a maximum of €500,000 lump sum or an annuity payment of €52,000.
- Take any other lawful action.



The FSPO will send a preliminary decision to both parties after all the evidence has been reviewed. This can only be challenged if there have been possible errors of law or if there are significant additional points of fact to be considered; it is not an opportunity to revisit the complaint. Then a legally binding decision is made. Either party can appeal to the High Court within 35 calendar days of the decision.

Case study 7.1 shows an example of an insurance complaint that the FSPO has dealt with.

Case study 7.1

Loss of no claims bonus following incident with uninsured driver²³⁸

After an uninsured driver ran into his vehicle, Samuel reported the incident to his insurer, with whom he had a commercial vehicle insurance policy. Samuel spoke to a customer service agent working for the insurer, who verified that his no claims bonus (NCB) would not be affected. He also contacted the Motor Insurers' Bureau of Ireland (MIBI) to ensure that this would be the case.

However, when Samuel's private car and commercial vehicle policies were up for renewal, he found that his NCB had been reduced and his premiums increased.

Samuel spoke again with the same customer service agent, but this time, the agent claimed not to deal with renewals or NCBs and would not accept that what he was telling Samuel contradicted what he had told him previously. Samuel then rang the MIBI, which confirmed that it had written to the insurer stating that since Samuel carried no liability, his NCB would not be affected.

The FSPO found that the service and information provided to Samuel 'fell far short of what a consumer is entitled to' and noted the serious consequences for Samuel. The FSPO highlighted the 'annoyance, frustration and distress' caused.

In upholding all aspects of Samuel's complaint, the FSPO directed the insurer to pay him €3,000 in compensation.

²³⁸ Based on FSPO Case study 7.1. Other FSPO decisions can be found at: *The Ombudsman's Digest of Legally Binding Decisions Volume 1*, www.fspo.ie/publications.

**Quick question 4**

How is the FSPO currently funded?

C3 Reporting on named financial service providers

If it is believed to be in the public interest, the FSPO has the power to publish the names of regulated FSPs with three or more adverse findings made against them in the previous year. This is also known as the power to 'name and shame'.²³⁹



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

²³⁹ Section 25, **Financial Services and Pensions Ombudsman Act 2017**.

D

What is the purpose of the Insurance Compensation Fund?

The **Insurance Compensation Fund (ICF)** provides last-resort protection to policyholders when insurers are unable to fulfil their contractual commitments. Its purpose is to facilitate payments to policyholders, where an Irish- or EU-authorized non-life insurer is insolvent or unable to pay valid insurance claims. High Court approval is needed before the ICF can make compensation payments.²⁴⁰ Ireland is one of just 13 EU member states to operate guarantee schemes.

The ICF is administered by the Central Bank and financed through contributions from non-life insurers operating in Ireland, including EU branches and non-EU firms. Insurers contribute 1% of insurance premiums and are permitted to pass on this charge to policyholders in the form of a levy. However, the levy does not apply to risks that are excluded from the compensation scheme, i.e. reinsurance, life assurance, health insurance, credit insurance and some marine and aviation risks.



The ICF will pay a maximum amount not exceeding 65% of the sum due to the policyholder or €825,000, whichever is less. The ICF will not pay any sum due to a commercial policyholder unless the sum is for a liability to a third party.

As a result of the Setanta case (Case study 7.2) and the introduction of the **Insurance (Amendment) Acts**, the ICF will pay 100% of an award in the case of third-party motor insurance claims, where an insurer is insolvent. Having paid 100% of an award, the ICF then recoups the balance (i.e. the amount over 65% of the claim or €825,000, whichever is lower) from the **Motor Insurers' Bureau of Ireland (MIBI)**. The MIBI pays this balance to the ICF from the Motor Insurers' Insolvency Compensation Fund (MIIC Fund). The MIIC Fund is maintained and administered by the MIBI. The contributions of MIBI members to the MIIC Fund are subject to annual review and may vary between 0% and 3%, depending on the size of the MIIC Fund and the likelihood of a call on the fund. As of 1 January 2025, contributions to the MIICF ceased, as the fund reached the €200 million threshold.



Insurance Compensation Fund

Ireland's insurance guarantee scheme, which protects consumers of authorised non-life insurance firms that go into liquidation



Motor Insurers' Bureau of Ireland

a body set up between motor insurers and the government, which aims to ensure that innocent victims of road accidents are properly compensated in circumstances where no effective motor insurance is in force (e.g. uninsured or untraced vehicles)

²⁴⁰ A complainant can also make use of the ICF in circumstances where an administrator has been appointed under the **Insurance Act (No. 2) 1983** and the approval of the High Court has been obtained.

There are restrictions on when the ICF will become involved in compensation arrangements. For non-life insurance companies that are in administration, the ICF must consider the percentage of risks that were held in Ireland over the three years before the administrator was appointed. Payments will only be made if, in the opinion of the Central Bank, at least 70% of the risks held by the insurer were for policyholders in the State. The principal factors that will determine this are whether:

- The insured buildings are located in Ireland
- The insured vehicles are registered in Ireland
- The insurance was taken out in Ireland (in the case of short-term travel insurance)
- The normal residence of the policyholder is in Ireland (in most other cases).

Case study 7.2 shows events that resulted in applications to the ICF.

Case study 7.2

Setanta Insurance Company Ltd

Setanta was a Maltese-based insurer, authorised, licensed and prudentially regulated in Malta by the Malta Financial Services Authority (MFSA). The firm passported into Ireland from Malta so the Maltese regulator was responsible for prudential supervision and the Central Bank of Ireland was responsible for its compliance with conduct of business rules. Setanta sold both private and commercial motor policies, distributed exclusively through 230 brokers.

Setanta was placed in liquidation by the MFSA in April 2014. All policies were cancelled by the liquidator with effect from 29 May 2014.

This affected 75,000 Irish policyholders with mainly car and van insurance. The big question following the collapse was how the policyholders' claims would be met – by Setanta, the ICF or the MIBI? This led to concerns about claims on the ICF if Setanta was unable to discharge its liabilities.

Legal battles resulted in the High Court approving an €8.35 million payment from the ICF in June 2020 to meet a 35% shortfall in awards to Setanta policyholders.²⁴¹



Quick question 5

How is the ICF currently financed?



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand this topic.

²⁴¹ Mary Carolan, 'High Court approves €8.35 million in claims against collapsed Setanta', *The Irish Times*, 16 June 2020, www.irishtimes.com.

E

Summary

In this chapter, we completed our study of compliance and advice by considering the areas of complaints, errors and disputes. We also identified the financial protection available to consumers in the event of a regulated firm's failure.

E1 How to reinforce what you have learned in this chapter

Well done on reaching the end of the textbook! It's now time to begin the final stages of your study and exam preparation.

E2 Study tips

It is important to remember that this textbook is the primary information source for this module. All the questions in your exam will relate directly to information featured in the textbook. Use the 'End-of-chapter questions', 'Quick questions' and the 'Sample multiple-choice questions' to quickly test what you've learned so far. Make a note of any topics/areas you need to improve in and keep it to hand so you can refer to it when you revise this chapter again before your exam.

E3 Online learning supports

In addition to the textbook, the Institute's learning platform (which can be accessed via your Member Area on www.iii.ie) has many online learning supports that can help you as you study this module. These include a Guide to Success, microlearning resources and study tips guide. These learning supports are invaluable in reinforcing what you have learned from the textbook so far. The interactive study chapters, chapter-by-chapter key points and other supports will help you to break down the chapter content when revising.

Completing online mock exams and reviewing the personalised feedback that follows is a great way of testing your knowledge and preparing for exam day.



End of chapter questions

Use these questions to test your understanding of what we've covered in Chapter 7.

1. State the timeframe in which a regulated firm must resolve all errors.

2. Outline the procedure if a complaint is resolved within 5 business days.

3. State the main functions of the Financial Services and Pensions Ombudsman (FSPO).

4. List the seven categories of 'eligible consumer' in bringing a complaint to the FSPO.

5. State the maximum amount of compensation the FSPO can award.

6. Explain what is meant by the term 'unresolved complaints' and explain its significance.

7. Outline the action the FSPO can take against regulated financial service providers that have received three or more adverse findings from the FSPO in the previous year.

8. State the purpose of the Insurance Compensation Fund (ICF).

9. Outline all the limitations on the amount of compensation payable under the ICF.

10. Explain how the Motor Insurers' Insolvency Compensation Fund (MIIC Fund) is funded.

Answers to end of chapter questions

Check your answers against those below and make a note of any points you left out. This will highlight some sections you may need to look at more closely during your revision.

1. All errors must be resolved speedily and no later than 6 months after the date the error was first discovered.
2. If the complaint is resolved in less than 5 business days, the firm is not required to follow the CPC 2025 requirement to make an offer to the consumer to have the complaint handled within the firm's full complaints procedures. However, the complaint must still be recorded in the log.
3. The principal functions of the FSPO are to:
 - Use mediation to deal with complaints made by eligible complainants about the conduct of regulated firms
 - Where necessary, investigate and adjudicate on the complaint.
4. An eligible consumer may be any of the following categories:
 - Private individuals
 - Limited companies
 - Sole traders
 - Trusts
 - Clubs
 - Charities
 - Partnerships.

In all these cases (other than private individuals), the annual turnover must not exceed €3 million.
5. The maximum amount is a lump sum of €500,000 or an annuity payment of €52,000.
6. This term is important because only 'unresolved complaints' can be referred to the FSPO. In the first instance, consumers should refer their complaint to the firm, which must handle the complaint in accordance with the requirements of the CPC 2025. Only if the complaint remains unresolved can it be referred to the FSPO for investigation.
7. If it is believed to be in the public interest, the FSPO may publish the names of those regulated firms it has made three adverse findings against in the previous year. This is also known as the power to 'name and shame'.
8. The ICF facilitates payments to policyholders in situations where an Irish- or EU-authorized non-life insurer contributing to the ICF scheme goes insolvent or is unable to pay valid insurance claims.
9. The total amount payable to a person under a policy shall not exceed 65% of the amount due or €825,000, whichever is less. This may not be payable to a commercial policyholder, unless the amount due is for liability to a third party. However, in the case of third-party motor insurance claims, where an insurer is in liquidation, the ICF will pay 100% of the award and recoup the balance (i.e. the amount over 65% or €825,000) from the MIBI.
10. The MIIC Fund is funded by contributions from MIBI members. These contributions are subject to annual review and can vary between 0% and 3%, depending on the size of the MIIC Fund and the likelihood of a call on the fund. As of 1 January 2025, contributions to the MIICF have ceased.

Answers to Quick questions

1. The CPC 2025 requires that senior management:
 - Analyse pattern of errors to improve systems and processes and prevent reoccurrences
 - Receive reports on the number of errors handled and the number of such errors resolved
 - Is provided with analysis on the rate of occurrence and patterns and causes of errors at least once every 6 months.
2. The insurer must (where possible) take the following actions:
 - Correct any systems failures.
 - Ensure that effective controls are implemented to prevent any recurrence.
 - Make a refund (with appropriate interest) to all consumers financially affected by the error.
 - Notify all affected consumers (both current and former) of the error in a timely manner.
 - Log the error in accordance with the CPC 2025 requirements.
3. The complaint must be investigated and resolved within 40 business days.
4. The FSPO is funded through two distinct sources:
 - Financial services complaints are funded by a levy on firms.
 - Pensions complaints are funded by the Exchequer, through the Department of Finance.
5. The ICF is currently financed through contributions received from non-life insurers operating in Ireland, including EU branches and non-EU firms.



Sample multiple-choice questions

Note: In your exam you will be awarded +3 marks for every question answered correctly, –1 mark for every question answered incorrectly and 0 marks for every question you choose not to attempt. On the answer form you complete in the exam, you will be required to choose from options A, B, C, D or E. Options A-D correspond with a possible answer to the question, while selecting Option E confirms that you are choosing not to attempt the question. When you attempt the mini-mock and full mock exam papers available on the Institute's online learning platform, this marking system is applied to allow you to prepare for your exam.

1. Under the Central Bank Consumer Protection Code, a firm must resolve all errors speedily once discovered and no later than:
 - A. 40 business days
 - B. 2 months
 - C. 6 months
 - D. 12 months

Your answer:

☐

2. Aoife made a written complaint to ABC Insurance on 1 September. Under the Central Bank Consumer Protection Code, by what **latest** date must ABC Insurance acknowledge Aoife's complaint in writing?
 - A. 6 September.
 - B. 8 September.
 - C. 11 September.
 - D. 15 September.

Your answer:

☐

3. Pat has submitted a complaint to the Financial Services and Pensions Ombudsman. However, the FSPO has refused to investigate Pat's complaint. This is because:
 - A. the conduct complained of happened two years ago
 - B. Pat initially complained to his provider, but the provider rejected the complaint
 - C. Pat has already taken legal action in respect of his complaint
 - D. Pat has not paid the FSPO the €50 fee required to have the complaint investigated

Your answer:

☐

Answers to sample multiple-choice questions

Question 1

Chapter reference: Chapter 7A2

Question type: K

Correct response: C

Learning outcome: Demonstrate the regulatory requirements surrounding the resolution of errors.

Question 2

Chapter reference: Chapter 7B3

Question type: A

Correct response: B

Learning outcome: Demonstrate the regulatory requirements surrounding the resolution of complaints.

Question 3

Chapter reference: Chapter 7C1

Question type: U

Correct response: C

Learning outcome: Explain the role of the Financial Services and Pensions Ombudsman in dispute resolution.

Study Tip

Do you wish to find a specific website, legal case, acronym, key term or legislation within this textbook?

You can do a quick find in the module eBook, which is available on the Insurance Institute's online learning platform which can be accessed via your Member Area Login at www.iii.ie.



Referenced websites, legal cases and legislation

Websites

Central Bank of Ireland

www.centralbank.ie

Competition and Consumer Protection Commission

www.ccpc.ie

Data Protection Commission

www.dataprotection.ie

Department of Finance

www.gov.ie

European Insurance and Occupational Pensions Authority

www.eiopa.europa.eu

European Union

ec.europa.eu

Financial Action Task Force

www.fatf-gafi.org

Financial Conduct Authority

www.fca.org.uk

Financial Services and Pensions Ombudsman

www.fspo.ie

Health Insurance Authority

www.hia.ie

Insurance Institute of Ireland

www.iii.ie

Insurance Ireland

www.insuranceireland.eu

National Fleet Database

www.nfd.ie

Legal cases

Association Belge des Consommateurs Test-Achats

ASBL and Others v Conseil des Ministres 2011

Legislation

Central Bank (Individual Accountability Framework) Act 2023

Central Bank Reform Act 2010

Central Bank Reform Act 2010 (Sections 20 and 22) (Amendment) Regulations 2024

Central Bank (Supervision and Enforcement) Act 2013

Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Insurance Requirement) Regulations 2022

Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1) Minimum Competency) Regulations 2017

Companies Act 2014

Consumer Insurance Contracts Act 2019

Consumer Protection Regulations 2025

Consumer Rights Act 2022

Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010–2021

Data Protection (Access Modification) (Health) Regulations 1989

Data Protection Acts 1988–2018

Digital Operational Resilience Act (EU Regulation) 2022

Directive on the Distance Marketing of Consumer
Financial Services 2002
Disability Act 2005

EC Distance Marketing of Consumer Financial
Services (Amendment) Regulations 2005
EC Distance Marketing of Consumer Financial
Services Regulations 2004 (as amended)
Equal Status Acts 2000–2015
Equal Status (Amendment) Act 2012
EU ePrivacy Regulations 2011
EU General Data Protection Regulation 2016
EU Insurance and Reinsurance Regulations 2015

Fifth Anti-Money Laundering Directive 2018
Financial Services and Pensions Ombudsman
Act 2017

Health Insurance Act 1994 (Minimum Benefit)
Regulations 1996 (as amended)
Health Insurance Acts 1994–2022
Health Insurance (Miscellaneous Provisions) Act 2009

Insurance Acts 1909–2009
Insurance Distribution Directive 2016
Insurance Distribution Regulations 2018
Investment Intermediaries Act 1995

Minimum Competency Code 2017
Minimum Competency Regulations 2017

Non-Life Insurance (Provision of Information)
(Renewal of Policy of Insurance) Regulations
2007 & 2018

Road Traffic Acts 1961–2016
Road Traffic (Compulsory Insurance) Regulations
1962
Road Traffic (Insurance Disc) Regulations 1984
Road Traffic (Insurance Disc) (Amendment)
Regulations 1986

Solvency II Directive 2009
Standards For Business Regulations 2025

Treaty of Rome 1957
Treaty of Lisbon 2007



Acronyms

Organisations/bodies/regions	
Competition and Consumer Protection Commission	CCPC
Consumers Association of Ireland	CAI
Data Protection Authority	DPA
Data Protection Commission	DPC
European Court of Justice	ECJ
European Economic Area	EEA
European Economic Community	EEC
European Union	EU
Financial Services and Pensions Ombudsman	FSPO
Health Insurance Authority	HIA
Hospital Saturday Fund	HSF
Insurance Compensation Fund	ICF
Irish Financial Services Appeals Tribunal	IFSAT
Motor Insurers' Bureau of Ireland	MIBI
Motor Insurers Insolvency Compensation Fund	MIIC Fund
United Kingdom	UK
United Nations	UN
Terminology and legislation	
anti-money laundering	AML
Anti-Money Laundering Directive	AMLD
Artificial Intelligence	AI
Assisted Decision-Making (Capacity) Act 2015	ADMA
Consumer Insurance Contracts Act 2019	CICA
Consumer Protection Code 2025	CPC 2025
Consumer Protection Risk Assessment	CPRA
Consumer Rights Act 2022	CRA
continuing professional development	CPD
controlled function	CF
countering the financing of terrorism	CFT
Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010–2021 (Criminal Justice Acts)	CJA 2010–2021
customer due diligence	CDD
data subject access request	DSAR
Declined Cases Agreement	DCA

ePrivacy Regulation	ePR
financial service provider	FSP
fitness and probity	F&P
General Data Protection Regulation 2016	GDPR
Individual Accountability Framework	IAF
Insurance Distribution Directive 2016	IDD
Insurance Distribution Regulations 2018	IDR
Insurance Product Information Document	IPID
Irish Motor Insurance Database	IMID
know your consumer (customer)	KYC
Lifetime Community Rating	LCR
long-term agreement	LTA
Minimum Competency Code	MCC
Minimum Competency Regulations	MCR
motor third-party liability	MTPL
multi-factor authentication	MFA
national fleet database	NFD
no claims bonus	NCB
politically exposed person	PEP
pre-approval controlled function	PCF
professional indemnity insurance	PII
Retail Intermediary Annual Return	RIAR
solvency capital requirement	SCR
Senior Executive Accountability Regime	SEAR
Statutory Instrument	SI
Suspicious Transaction Report	STR
Terms of Business (document)	TOB

Summary of key business/calendar days and monetary amounts

CIP-02 : Important days to remember



CIP-02 contains information on business and calendar day timeframes. This is a summary of that information.

Note: a business day (working day) is a day of the normal working week, Monday to Friday inclusive but excluding weekends, bank or public holidays.

Consumer Insurance Contracts Act 2019

The consumer (purchasing 'face to face' or in person) has the right to 'cooling-off' period of 14 business days.

Non-Life Insurance (Provision of Information) Regulations 2007 & 2018

An insurer must give written notification not less than 20 business days before the renewal date, either inviting renewal or stating that it does not wish to renew the policy.

EC Distance Marketing of Consumer Financial Services Regulations 2004 & 2005

- The general insurance consumer (purchasing via phone, online or by mail) has the right to 'cooling-off' period of 14 calendar days.
- The insurer is obliged to refund any monies paid by, or on behalf of, the consumer (less any pro-rata adjustment) no later than 30 calendar days after the notice of cancellation.

Health Insurance (Miscellaneous Provisions) Act 2009

When the HIA serves an enforcement notice to a registered health insurer (for contravention of a provision of the Health Insurance Acts), the health insurer has 45 calendar days to rectify the contravention or to appeal to the High Court that the notice be cancelled.

Consumer Protection Code

Within 5 business days

- Where immediate cover is required by a consumer, the Statement of Suitability can be issued to the consumer prior to or within this timeframe of the insurance policy being entered into.
- Where an insurer refuses to quote a consumer for motor insurance, it must advise the consumer of the refusal and notify them of their right to refer the matter to the Declined Cases Committee and how this can be done.
- Where an insurer refuses to quote a consumer for property insurance, it must advise the consumer of the refusal and advise them that not having property insurance could result in a breach of loan terms, if there is a loan secured against the property.
- An insurer must issue policy documentation to an intermediary/consumer from the date that the contract is concluded (note: from the date that the policy is underwritten, not the policy inception date).
- On receiving the policy documentation from the insurer, an intermediary must provide the documentation to the consumer.
- A firm must provide affected consumers with an updated Terms of Business (in the case of material changes) before the change takes effect.

Within 10 business days

- Where a premium rebate is due, a firm must refund it to a consumer from when the rebate becomes 'due'.

At least 15 business days in advance

- A firm must notify the consumer of any withdrawal of access to digital platforms or the information concerned

Consumer Insurance Contracts Act 2019

Non-Life Insurance Regulations 2007 & 2018

EC Distance Marketing Regulations 2004 & 2005

Health Insurance (Misc. Provisions) Act 2009

Consumer Protection Code



CIP-02 : Important days to remember



CIP-02 contains information on business and calendar day timeframes. This is a summary of that information.

Note: a **business day** (working day) is a day of the normal working week, Monday to Friday inclusive but excluding weekends, bank or public holidays.

Consumer Protection Code (continued)

At least 20 business days in advance

- A firm must provide non-life insurance consumers with advance notification that their policy is due to expire, or falls due for renewal, before they receive their renewal notice. ** With the requirements under the Non-Life Insurance (Provision of Information) Regulations 2007 & 2018, this means that consumers should be alerted to their renewal at least 40 business days in advance of the policy expiry date.
- Where a firm intends to automatically renew a consumer's insurance policy (policies of 10 months or more), they must notify the consumer before the renewal date. If the policy is not being renewed, the same notice period applies.

Consumer Protection Code



Complaints timeframes

The firm must:

- Make its complaints procedure available in a prominent place on all of its websites and provide a hard copy of the procedure to a consumer, on request, within 5 business days.
- Acknowledge each complaint received in writing within 5 business days or, immediately or automatically, acknowledge each complaint received online/via a website
- Provide the complainant with a regular update in writing on the progress of the complaint investigation, at intervals of no greater than 20 business days
- Attempt to investigate and resolve a complaint within 40 business days of receiving it
- Where the 40 business days have elapsed and the complaint is not resolved, inform the complainant of:
 - the timeframe within which it hopes to resolve the complaint
 - their right to refer the matter to the Financial Services and Pensions Ombudsman (FSPO)
 - the contact details of the FSPO.
- Within 5 business days of the completion of the investigation, advise the consumer in writing of:
 - The outcome of the investigation
 - Where applicable, the terms of any offer or settlement being made
 - The consumer's option to refer the matter to the FSPO
 - The contact details of the FSPO.
- This full procedure does not need to be followed if the complaint has been resolved to the complainant's satisfaction within 5 business days.
- At least once every 6 months, analyse the rate of occurrence and patterns of complaints from consumers, including those resolved within 5 business days.
- At the end of the FSPO's process, a legally binding decision is made. Either party can appeal to the High Court within 35 calendar days of this decision.

Consumer Protection Code - complaints



CIP-02 : Monetary amounts to remember



CIP-02 contains information on various monetary amounts. This is a summary of that information.

The Consumer Protection Code defines a consumer as:
A customer that is:

- a) a natural person
- b) a group of natural persons including a partnership, club, charity, trust or other unincorporated body
- c) an incorporated body that:
 - i. does not have an annual turnover in excess of **€5 million** in the previous financial year
 - ii. is not a member of a group of companies with a combined turnover of more than **€5 million**.

Under IDR (amongst others) insurance distribution does not include any activity that is carried out by an ancillary insurance intermediary if:

- the insurance involved covers risks to travel including breakdown, loss of or damage to goods, or damage to or loss of baggage and
- the annual premium payable does **not exceed €600** or, where the duration of the service is 3 months or less, the premium payable per person does **not exceed €200**.

Under IDR, the minimum levels of professional indemnity insurance cover to be held in Ireland by insurance and reinsurance intermediaries are **€1,564,610 per individual claim**, and **€2,315,610 aggregate** for claims arising in any one year. Separate cover must be held and ring-fenced for each authorised activity.

Where the Central Bank determines that a firm has committed a contravention, it may administer a range of sanctions including:

- for firms: a fine payable of **up to either €10 million or 10% of turnover** (whichever is greater)
- for individuals: a fine payment of **€1 million**.

GDPR provided for fines of **up to €20 million (or 4% of annual global turnover, whichever is greater)** to be applied for breaches of this legislation.

The Financial Services and Pensions Ombudsman can direct a financial services provider (amongst other things) to pay compensation to a **maximum of €500,000 lump sum or €52,000 per year**. A FSPO consumer can be a:

- Private individual
- Limited company
- Sole trader
- Trust
- Club
- Charity
- Partnership.

Except in the case of private individuals, the turnover in the preceding financial year must not have exceeded **€3 million**.

The Insurance Compensation Fund (ICF) is funded by non-life insurers operating in Ireland. These insurers contribute **1% of insurance premiums**. This cost can be passed on to policyholders in the form of a levy.

The ICF will pay a maximum amount **not exceeding 65% of the sum due to the policyholder or €825,000, whichever is less**. In the case of third-party motor insurance claims where an insurer is insolvent the ICF will pay **100%** of an award. The ICF then recoups the balance (i.e. the amount over 65% of the claim or €825,000 whichever is lower) from the Motor Insurers Bureau of Ireland.

Firms found in breach of the CRA 2022, face fines of **up to €60,000** or (in the case of an individual) imprisonment for up to 18 months.

Consumer Protection Code (CPC)

Insurance Distribution Regulations 2018 (IDR)

Administrative Sanctions Procedure

General Data Protection Regulation 2016

FSPO (Compensation) Regulations 2018

Insurance Compensation Fund

Consumer Rights Act 2022



Microlearning resources

In the Member Area of www.iii.ie, click into the Institute's learning platform and access a resource specifically developed to help you better understand these topics.



Glossary of key terms

accredited person	a person who satisfies the Central Bank's minimum competency requirements
Act of the Oireachtas	a Bill voted through the Dáil and Seanad (Houses of the Oireachtas) and signed into law by the President
advice	a personal recommendation to a person, whether at their request or at the initiative of the firm, in the course of performing a relevant (controlled) function
adviser (advisor)	one who is involved in the advising process, such as an employee of an insurer or an intermediary
agent	a person or firm who is authorised by a principal to bring that principal into a contractual relationship with a third party
ancillary insurance intermediary	a person or firm whose principal professional activity is not insurance distribution, but who provides only insurance products that are complementary to their principal professional activity
automated decision-making	process by which computer programmes analyse data and make judgements without human involvement
blanket certificate	a certificate of motor insurance that refers to classes of vehicles rather than specific registration numbers
broker	an insurance intermediary that provides its principal regulated activities on the basis of a fair analysis of the market
bundling	the packaging of two or more distinct products into a bundle, where each of these products can be purchased separately from, or through, the firm
business day	any day of the normal business working week, Monday to Friday inclusive, excluding weekends, bank or public holidays (also known as 'working day')
business interruption insurance	insurance that protects a commercial policyholder against loss of profits and other expenses following damage to their property
capital adequacy	the appropriate amount of capital required to support the insurer's operations
captive	an authorised insurer that has been formed as a subsidiary of a non-insurance parent company
Certificate of Competency	document issued to a consumer confirming that the person providing advice meets the minimum competency standards
Certificate of Motor Insurance	document required by law, issued by an insurer to a policyholder, proving that an acceptable minimum level of cover has been provided by a motor insurance policy
client	a person, firm or organisation that deals directly with an insurance provider or has appointed a regulated entity/firm to act on their behalf for insurance purposes
compensation scheme	a statutory or voluntary scheme that makes payments to affected persons (subject to limits and eligibility criteria) following the failure of a financial service provider
competence	a defined level of knowledge and ability necessary for the performance of a job

Competition and Consumer Protection Commission	an independent, statutory body responsible for promoting compliance with, and enforcing, competition and consumer protection law in Ireland
complaint	<p>an expression of grievance or dissatisfaction by a consumer, either orally or in writing, in connection with:</p> <ul style="list-style-type: none"> the provision, or offer of provision, of a product or service to a consumer by a regulated entity the failure or refusal of a regulated entity to provide a product or service to a consumer
conduct of business rules	rules relating to the fair and honest treatment of customers by financial service providers
conflict of interest	a situation or circumstance that might lead a firm/individual to take a course of action that is not necessarily in the best interest of their client, but favours the firm/individual
consumer	<p>a customer that is:</p> <ol style="list-style-type: none"> a natural person a group of natural persons including a partnership, club, charity, trust or other unincorporated body an incorporated body that: <ol style="list-style-type: none"> does not have an annual turnover in excess of €5 million in the previous financial year is not a member of a group of companies with a combined turnover of more than €5 million²⁴²
consumer in vulnerable circumstances	a natural person whose personal circumstances, whether permanent or temporary, make that consumer especially susceptible to harm
Consumer Protection Code	code issued by the Central Bank setting out requirements that regulated entities/firms must comply with, in order to ensure a minimum level of protection for consumers
Consumer Protection Risk Assessment model	Central Bank model comprising five modules: governance and controls; people and culture; product development; sales/transactions process; and post-sales handling
contingent selling	practice whereby a business makes the sale of one product or service conditional on the purchase of another, so that the customer is required to buy something they may not want in order to obtain the product or service that they do want.
continuing professional development	attendance at seminars, lectures and conferences and/or certified completion of appropriate e-learning tutorials, workshops or courses that deal with a topic directly related to the competencies set out in the MCC
<i>contra proferentem</i> rule	if a contract term is ambiguous, the interpretation adopted is the one that is least favourable to the party that drafted the term

²⁴² Regulation 2, CPR 2025.

controlled function	designated role for which the Central Bank requires regulated firms to identify and maintain a record of: <ul style="list-style-type: none"> those persons performing CFs from the date of application of the Fitness and Probity Standards due diligence undertaken in respect of those persons
cooling-off period	a period of time in which a consumer has the right to withdraw from an insurance contract without any penalty
cover note	document setting out details of temporary cover granted, usually in advance of permanent documentation being issued
credit risk	the risk that a party to a contract will not fulfil their financial obligation under that contract
customer	a broader term than 'consumer', referring to any person to whom a regulated firm provides or offers (via marketing, advertising or other means) financial services, or who requests the provision of a financial service from the firm (interchangeable with the term 'client')
customer due diligence	the requirement to obtain a certain level of documentation to confirm identification in order to satisfy anti-money laundering laws
data controller	a natural or legal person who controls, and is responsible for, the keeping and use of personal information on a computer or in structured manual files
data minimisation	limiting the collection and processing of personal data to what is necessary for a specific, legitimate purpose
data processing	any operation or set of operations performed on personal data or sets of personal data (whether or not by automated means), such as collection, recording, organisation, structuring, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission or dissemination, restriction, erasure or destruction ²⁴³
data processor	a natural or legal person, public authority, agency or any other body that processes personal data on behalf of the data controller
Data Protection Commission	commission responsible for monitoring and enforcing the General Data Protection Regulation 2016 and the Data Protection Acts 1988–2018 in Ireland
data subject	a living individual who is the subject of personal data
data subject access request	a formal request by a person for a copy of information about them that is (or intends to be) kept on computer or in a manual filing system by an entity or organisation
Declined Cases Agreement	an agreement that ensures a designated insurer will provide cover to a motorist seeking insurance if the customer has approached, and been declined, by at least three insurers
delegated authority scheme	written agreement between an insurer and intermediary to allow the intermediary (closely supervised by the insurer) to act as the insurer's agent in the context of a scheme arrangement, allowing the intermediary to undertake specified limited functions

²⁴³ Article 4, **General Data Protection Regulation 2016**.

designated person	a category of person in a firm or organisation (or the firm itself), as listed in the Criminal Justice (Money Laundering and Terrorist Financing) Acts 2010–2021 , who is given responsibility to guard the firm or organisation against being used for money laundering or terrorist financing
differential pricing	where customers with a similar risk and cost of service are charged different premiums for reasons other than the risk and cost of service
distance contract for the supply of a financial service	a contract under which a supplier provides a financial service to a consumer in an organised distance sale or service provision scheme operated by the supplier, making exclusive use of one or more means of distance communication
distance selling	a contract under which a supplier undertakes to supply a financial service to a consumer under an organised distance sale or service-provision scheme operated by the supplier
due diligence	enquiries undertaken to assess the fitness and probity of an individual
durable medium	any instrument that allows information to be stored and accessible for future reference for a required period of time, and prevents the stored information from being changed or reproduced
enhanced due diligence	the practice of collecting additional information and conducting deeper scrutiny to better understand the risk profile of a customer or transaction
ethical behaviour	acting fairly and honestly, ensuring that the interests of the consumer always take priority over the interests of the adviser or firm
ethics	the practical analysis of objective standards of right and wrong (also known as ‘moral philosophy’)
EU Decision	a decision that is binding in its entirety, but only on those EU member states (or individuals) to whom it is addressed
EU Directive	legislation that allows EU member states the choice of form and methods of implementation under national law, but must be transposed into domestic legislation and is binding in the results to be achieved
EU Regulation	legislation that is of general application, binding in its entirety and directly applicable in all EU member states, without the need for member states to transpose it into domestic legislation
exclusion/exception	a policy provision that defines circumstances or types of loss that are not covered
factsheet	an online form asking if the statements given onscreen are correct, to which the insured clicks Yes or No (see also ‘statement of fact’)
fair analysis of the market	providing services on the basis of a sufficiently large number of contracts and insurers available on the market to enable the intermediary to make a recommendation, in accordance with professional criteria regarding which contract would be adequate to meet the consumer’s needs (CPC 2025)
fair and personal analysis (of the market)	advice given on the basis of an analysis of a sufficiently large number of contracts available on the market, to enable the intermediary to make a recommendation, in accordance with professional criteria, as to which insurance contract adequately meets the customer’s needs (IDR 2018)

fiduciary relationship	a relationship recognised by the law as being based on trust and responsibility, which in the insurance context means that legal duties and obligations are placed on the agent for having undertaken to perform certain activities on behalf of the principal
financial crime	a wide term embracing money laundering, proceeds of crime, fraud, bribery and corruption
financial sanction	restrictive financial measure(s) imposed on individuals or entities in an effort to curtail their activities and exert pressure and influence on them (also including restrictions on trade, travel or civil aviation)
Financial Services and Pensions Ombudsman	office that deals independently and impartially with unresolved complaints from consumers about the conduct of a pensions provider or a regulated financial service provider
firm	a regulated entity (used throughout this textbook to refer to regulated entities that provide financial services, including insurers, reinsurers and intermediaries)
fitness	the qualifications, experience, competence and capacity appropriate to the relevant function
fleet policy	a motor policy that covers a collection of vehicles owned by a corporate entity
general good requirement	the right of a host country to apply its own laws on the operations of a foreign insurer in its territory, but only if it is deemed beneficial to the population of the host country
grandfathering	a mechanism used to recognise the value of experienced existing practitioners, requiring that they had met certain conditions by 31 December 2012 and engage in ongoing continuing professional development ²⁴⁴
home country (state)	the country whose regulator is responsible for the authorisation of firms in its jurisdiction and the prudential supervision of those firms (and from where services are passported)
host country (state)	the country into which services are passported on a cross-border freedom of services basis and whose regulator retains control in certain areas (mainly local conduct of business requirements), but is not the firm's prudential supervisor
information	that which is provided to a person, whether at the person's request or at the initiative of the firm, to assist the person in the choice of a retail financial product
information barrier	an arrangement within a firm (or with an associate of the firm) that requires information to be withheld and segregated in certain circumstances to preserve the confidentiality of the information and avoid a potential conflict of interests
Insurance Compensation Fund	Ireland's insurance guarantee scheme, which protects consumers of authorised non-life insurance firms that go into liquidation
insurance distribution	any activity involved in advising on, proposing or carrying out any other work in preparation for, or conclusion of, contracts of insurance, or of assisting in the administration and performance of such contracts
insurance distributor	any insurance intermediary, ancillary insurance intermediary or insurance undertaking engaged in selling, developing and/or distributing insurance products

²⁴⁴ Section 1.5, **Minimum Competency Code 2017**.

insurance intermediary	any person or firm, other than an insurer/reinsurer (or ancillary insurance intermediary) or their employees, who takes up or pursues the activity of insurance distribution and is subject to the Insurance Distribution Regulations 2018
insurance undertaking	a regulated entity/firm engaged in insurance activity, holding an authorisation from the Central Bank of Ireland
insured	a person/firm that is insured under an insurance policy
insurer	a risk-carrying regulated entity/firm
intangible product	a good or service that does not have a physical form, meaning that it cannot be seen, touched or held
integration	legitimising the proceeds of criminal conduct, which have now been fully laundered and reintroduced into the economy
intermediary	a person or firm that acts between a provider and customer in the provision of services (see 'insurance intermediary')
key information	any information that is likely to influence a consumer's actions with regard to a product or service
layering	concealing money's criminal origins by creating a series of complex transactions that are untraceable during the audit process, thus disrupting the audit trail
liability insurance	insurance that protects the policyholder against the consequences of being held financially responsible for a third party's injury, property damage or financial loss
lifetime community rating	the older a person is when they initially take out private health insurance, the higher the premium they will pay (but the premium may not subsequently be increased to reflect the person's advancing age)
limited analysis of the market	providing services on the basis of a limited number of contracts and insurers (product producers) available on the market (CPC 2025)
liquidity risk	inability of a financial service provider to meet on- and off-balance sheet obligations in a timely fashion, without incurring excessive cost, while continuing to fund its assets and growth
long-term agreement	an agreement whereby an insurer allows a discount if the insured renews the policy for an extended period (e.g. 3 years) on the same terms/premium rates
loss assessor	an expert in dealing with insurance claims, as appointed by the insured to prepare and negotiate a claim on their behalf
market risk	the risk of losses arising from adverse movements in market prices
material change	a change to the risk that results in the risk now being something the insurer did not agree to
material fact	any fact that would influence an underwriter/insurer in either accepting or rejecting a risk and in deciding what terms to impose
mediation	informal method of dispute resolution involving a neutral mediator, who helps the parties to work out their own solutions without apportioning blame
Minimum Competency Code	code issued by the Central Bank of Ireland setting minimum competency standards to be met by those falling within the Code's scope when undertaking certain controlled functions

Minimum Competency Regulations	regulations that, in conjunction with the Minimum Competency Code, impose certain obligations on regulated firms under Section 48 of the Central Bank (Supervision and Enforcement) Act 2013
misrepresentation	untrue statement of fact, either innocent, negligent or fraudulent, made during negotiations
money laundering	process by which criminals and terrorists convert money that has been obtained illegally into apparently legitimate funds
Motor Insurers' Bureau of Ireland	a body set up between motor insurers and the government, which aims to ensure that innocent victims of road accidents are properly compensated in circumstances where no effective motor insurance is in force (e.g. uninsured or untraced vehicles)
non-monetary benefit	a benefit that is capable of enhancing the quality of the service provided to a consumer, if the scale/nature of the benefit does not impair compliance with a firm's duty to act in the best interest of the consumer
open membership undertaking	an undertaking that provides in-patient health insurance cover (or cash benefit plans) and must accept (subject to certain limited terms and conditions) all persons who wish to purchase private health insurance
operational risk	the risk of loss resulting from inadequate or failed internal processes, systems and individual behaviours, or from external events
operative clause	clause(s) that describes the standard scope of cover of each section of an insurance policy
outsourcing	the employment of another person/firm (other than an employee of the firm) to carry out an activity on behalf of the firm
passporting	EU system, whereby an insurer established and authorised in one member state can sell to residents of another member state by either establishing a branch there or by way of cross-border services
personal consumer	a consumer who is a natural person acting in their private capacity outside their business, trade or profession
personal data	data relating to a living individual, who can be identified from this data
placement	placing the proceeds of criminal conduct into the financial system
policyholder/insured	a person/firm that is insured under an insurance policy
politically exposed person	a natural person who is, or has been, entrusted with a prominent public function, and their immediate family members or known close associates
power of attorney	statutory authorisation given to an individual to act on behalf of another individual in either all, or specified, legal or financial matters
pre-approval controlled function	a designated role (mainly to do with executive or senior management, heading up significant functional areas or implementing regulation), whereby the Central Bank must approve the person for the function before they are appointed to the job
prescribed script function	a controlled function exercised according to a prescribed script and routine and within a narrow and rigid set of criteria (e.g. a call-centre role)
price signalling	when businesses alert their competitors, either publicly or privately, to their intention to increase prices, causing further price increases across the sector

price walking	where customers are charged higher premiums relative to the expected costs, the longer they remain with an insurer
principal	a person for whom another acts as agent
principal regulated activity	at least 75% of a regulated firm's total turnover on an annual basis that comes from regulated activities that are provided on the basis of a fair analysis of the market
probity	a person's honesty, fairness and ethical attitude
product producer	any regulated entity/firm that produces, manufactures or packages a product of a financial or investment nature, and is not limited to a product producer as defined in the Investment Intermediaries Act 1995
professional indemnity (liability) insurance	insurance that covers claims arising from the professional activities (including negligent or inadequate advice) of advisers
proposal form	type of questionnaire used to gather information about the subject matter of insurance before an insurance contract is entered into
proposer	a person, firm or organisation applying for insurance (but not yet a policyholder/insured)
prudential regulation	regulation that requires firms to control risks and hold adequate capital as defined by capital requirements
qualified person	a person with one or more recognised qualification(s) that are relevant to the function to be exercised
rebate	refund
recital clause (preamble)	scene-setting clause referring to the parties to a contract, premium, indemnity and proposal (if any) as the basis of the contract
regulated entity/firm	a financial service provider authorised, regulated or supervised by the Central Bank or other EU or EEA member state, that is providing regulated activities in the State
regulation	a principle, rule or law designed to control or govern conduct
reinsurance	a form of insurance for an insurer, whereby all or part of the risk underwritten by an insurer is transferred to a reinsurer
reinsurance intermediary/broker	any person, other than a reinsurer or its employees, who takes up or pursues the activity of reinsurance distribution
restricted membership undertaking	a health scheme restricted to a particular class of membership, usually established as a 'friendly society'
retail intermediary	a regulated entity/firm that receives and supplies orders for certain financial products and/or gives advice about those products
risk equalisation	a process that aims to impartially neutralise differences in insurers' costs that arise from differences in the age profile of the persons they insure
schedule	separate page(s) incorporated into a policy booklet to personalise the policy
service level agreement	an agreement made between the intermediary and the client for specific activities over and above the standard agreement in the Terms of Business Document

solvency capital requirement	a level of eligible own funds that Solvency II legislation requires insurers/reinsurers to hold, in order to meet liabilities and absorb significant losses
special category personal data	a type of personal data considered to be particularly sensitive and is subject to enhanced protections under the GDPR
statement of fact	a statement provided by the insurer after confirmation of cover, clarifying the basis on which insurance is accepted and what conditions apply
statutory instrument	a form of delegated legislation providing detailed rules that implement the more general provisions of particular European Directives or Acts of the Oireachtas
structural regulation	regulation designed to ensure that only appropriately structured firms and persons of sufficient financial standing, integrity and experience are authorised to provide financial services
Summary of Commissions (document)	a summary of the details of all arrangements for any fee, commission, other reward or remuneration paid or provided to an intermediary as agreed with an insurer
supervision	the act or function of overseeing something or someone
systemic regulation	regulation designed to sustain public and institutional trust and confidence in the financial system as a whole and minimise risks to its stability
technical provision	reserves held so that assets are matched with known and estimated future claims liabilities and associated expenses; comprising three components: claims provisions, premium provisions and risk margin
Terms of Business Document	document in which a regulated entity/firm sets out the basis on which it will conduct business with consumers
territorial limits	those countries or territories where the policy cover will operate
terrorist financing	the provision, collection or receipt of funds with the intent or knowledge that they will be used for the benefit of a terrorist group or to carry out an act of terrorism or any act intended to cause death or serious bodily injury
tied insurance intermediary	any intermediary who: <ul style="list-style-type: none"> a. undertakes insurance or reinsurance distribution for and on behalf of one or more insurer/reinsurer(s) or other intermediaries in the case of insurance products that are not in competition b. acts under the responsibility of those insurers/reinsurers or other intermediaries c. is subject to oversight of compliance with conditions for registration by the insurer/reinsurer or other intermediary on whose behalf it is acting
Treaty of Rome 1957	basis of the European Economic Community (EEC), later the European Union (EU), designed to broaden its scope and recognise that it was more than simply an economic community
Trusted Contact Person	a person nominated by a consumer that a regulated entity may contact in specific circumstances
underwriting	process of risk pooling, evaluation, selection and pricing
underwriting risk	the risk of uncontrollable factors or an inaccurate assessment of risks, when underwriting an insurance policy or a class of insurance business
voice recording	the record of a telephone call, which is timed and dated for future verification