

Perspectives on Insurance Consumer Protection

ABSTRACT

The Korea Insurance Research Institute (KIRI) established the Industrial-Academic Insurance Research Center to strengthen communication between the insurance industry and academia and promote research on insurance. KIRI held a seminar to commemorate the establishment of the center on 10th October 2019.

This report is to share the perspectives from academia and the industry on insurance consumer protection, discussed at the seminar, with the executives of the insurance companies.

1. Academic views

- Insurers need to protect consumers. In particular, insurers should reflect on which choices they made when there were conflicts between their interests and consumers' interests. Also, the insurers should not just blame 'black consumers' without thinking about whether they have fulfilled their past commitments.
- Insurers should examine the possibility of consumer complaints caused by a product from the product designing stage, though consumer complaints usually emerge in the insurance payment stage. Insurance products that are difficult to understand are sold in the market and sometimes even salespersons sell the products that they do not fully understand.
- The statistics on consumer complaints should be properly collected and meticulously analyzed. Consumer complaint index is currently calculated based just on the number of complaints, without considering qualitative factors. In this regard, a better way to understand the root causes of consumer complaints should be introduced.

- ❑ Consumers also need to take responsibility. It is fairly questionable whether consumers are legitimately exercising their rights to know, to education, and to choose insurance products.

2. Industrial views

- ❑ The autonomous resolution procedures for the disputes between consumers and insurance companies need to be invigorated. Also, the focus of consumer complaint evaluation should be shifted to resolving disputes from the simple number of complaints.
- ❑ Consumer complaints should be resolved by law and common sense rather than benevolence or politics. Wholesome consumer protection can be achieved when abuse of consumer protection policies is properly regulated.
- ❑ The direction of the consumer policy should move from putting too much emphasis on preventing mis-sellings toward prudential regulations since consumer protection or consumer benefits cannot be fulfilled without the financial soundness of insurance companies.
- ❑ Regulators need to pay attention to the positive functioning of the insurance industry.

3. Other views

- ❑ The majority of good consumers should not be harmed on the pretext of protecting them. Thus, financial regulators should take a balanced stance on deterring insurance fraud and 'black consumers' to protect consumers.
- ❑ Consumer protection regulation should be shifted from regulation-based to principle-based to create an environment in which consumer-oriented management

can be promoted. Under the current regulatory environment, it is challenging for insurance companies to carry out consumer-oriented management as there is an incentive to conduct only minimal activities to comply with the regulations.

- ❑ Though ex-post consumer protection measures to resolve consumer complaints and settle disputes are important, ex-ante measures, such as financial education, to help consumers make better choices should be implemented to achieve effective consumer protection.
- ❑ The opinion gap between the industry and consumers could be narrowed through the education on insurance consumers. Also, research on insurance claim behaviors induced by the auto mechanics industry, the healthcare industry, etc. is needed.

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