

January 20, 2016

Dr. Victoria Saporta, Chair, Executive Committee  
Dr. Yoshihiro Kawai, Secretary-General  
International Association of Insurance Supervisors

By Electronic Mail: Victoria.Saporta@bankofengland.co.uk; Yoshihiro.Kawai@bis.org

**Re: Consumer Stakeholder Participation in IAIS Activities**

Dear Dr. Saporta and Dr. Kawai,

The Center for Economic Justice (CEJ) is a United States (U.S.) non-profit organization that advocates on behalf of consumers on financial service products with an emphasis on insurance. We have represented the consume interest for over 20 years before state and federal U.S. regulators and legislators and, briefly, before the IAIS. On behalf of CEJ, I am a designated consumer representative at the National Association of Insurance Commissioner, a member of the United States Federal Advisory Committee on Insurance and a regular participant in the National Conference of State Insurance Legislators, an organization of United States' elected officials who are active on insurance issues in their states. I was an insurance regulator before joining CEJ, having served as Associate Commissioner for Policy and Research and Chief Economist at the Texas Department of Insurance.

CEJ writes to ask the IAIS to recognize the current biased approach to stakeholder involvement at the IAIS – an approach which effectively excludes consumer voices – and to request the IAIS implement a consumer participation program to address this problem.

Historically, IAIS engagement with stakeholders has meant engagement with industry stakeholders only. Until 2014, all IAIS observers were industry participants who paid large fees to access IAIS meetings. In 2014, the IAIS granted observer status to a few consumer observers from the U.S. who were able to participate in IAIS meetings because of funding by the NAIC to cover consumer observer travel expense. In 2015, observer status was eliminated and largely replaced with stakeholder meetings and consultations. These stakeholder meetings are now attended only by industry observers. CEJ has attempted to participate by using call-in numbers, but this is both technically and substantively problematic. Technically, many speakers are inaudible because they either do not speak close to a microphone or because the audio is not working. Substantively, industry stakeholders attending in person are able to interact personally with IAIS members and staff in a way not possible for a stakeholder listening on the phone.

The results have been and continue to be that IAIS deliberations are discussions between industry stakeholders and regulators with little or no consumer stakeholder involvement. Industry stakeholders utilize funds provided by consumers (from premiums for insurance products) to finance the compensation and travel expense of their representatives. Consumer stakeholders have no comparable funding mechanism and, consequently, are unable to participate as do the industry stakeholders.

There should be no question that IAIS members and IAIS decision making would benefit from substantial consumer stakeholder participation. Consumer stakeholders bring a different and needed perspective to regulators. The current process allows industry stakeholders to create personal relationships with IAIS decision makers and provides opportunities for informal communications in addition to participation in formal procedures. The absence of consumer stakeholder participation inevitably leads to decisions that are biased towards industry and against consumers.

The IAIS decision to eliminate observer fees and observer status opened certain information, previously available only to observers, to the public. But that action did not address the lack of a funding mechanism for consumer stakeholders to participate in the IAIS. Consequently, there has been less consumer stakeholder involvement in 2015 forward than in 2014 when there were consumer observers. Compounding the problem, the IAIS has not sought out consumer stakeholder participation by, for example, recruiting and including consumer stakeholder representatives on panels at IAIS meetings. The panels during the January 19 resolution stakeholder meeting were the latest example of industry stakeholder participants only.

We ask that the IAIS address the fundamental problem of inadequate consumer stakeholder participation by creating a formal consumer participation program at the IAIS. Ideally, the IAIS would fund an independent Office of the International Insurance Consumer Advocate which would have paid staff and related resources for consumer stakeholder participation similar to that of industry stakeholders. Such a consumer stakeholder institution would enable consumer stakeholders to develop and/or access relevant technical expertise and institutional engagement for effective consumer representation.

We realize that the creation of a funded international consumer advocacy institution requires extensive discussion and time to consider. But the IAIS can take steps now to improve consumer stakeholder participation in parallel with longer-term consumer participation institutional building. These short-term steps, which can and should be implemented for consumer participation in 2016, are:

1. ***Financial Assistance for Consumer Organizations for Travel to IAIS Public Meetings.*** We ask the IAIS allocate funds for travel expense reimbursement for consumer stakeholders who clearly demonstrate interest and capability to represent consumers at the IAIS, who demonstrate a need for such financial assistance in order to participate in IAIS stakeholder and other public meeting, and whose organizations are accountable to consumer interests. This is a modest and reasonable form of assistance because the consumer organization must cover the expense of the consumer representative's time to monitor and participate in IAIS consultations and other meetings. Ongoing financial assistance for a consumer organization should be contingent on active engagement, including, for example, submission of written comments to IAIS consultations as well as oral comments at IAIS public meetings.
2. **IAIS Commitment to Include Consumer Stakeholders on Stakeholder Panels and at IAIS Annual Meetings and Global Seminars.** Consumer stakeholder participation in stakeholder panels at IAIS meetings, including panels devoted to consumer stakeholder issues at the IAIS Annual Meeting and Global Seminar is essential to provide balanced perspectives to IAIS members. When the IAIS organizes stakeholder panels during stakeholder meetings (such as those on the January 19 meeting or at the Global Seminars), each panel should include a consumer stakeholder to IAIS members with a more balanced set of perspectives. In addition, the IAIS should commit to panels and presentations at the Global Seminar and Annual Meeting which feature consumer stakeholder priorities and presentations. This commitment by the IAIS is essential for consumer stakeholders to present their priority issues of concern to regulators – in the same way that industry stakeholders are already able to do.
3. **IAIS Consumer Participation Development Group.** The IAIS should create a Consumer Participation Development Group comprised of IAIS members and consumer organization members to develop the process for and oversee designation of consumer organizations eligible for consumer stakeholder financial assistance, to promote consumer participation within the IAIS and to develop the longer-term consumer stakeholder participation institutions necessary for effective consumer stakeholder participation at the IAIS and in individual jurisdictions.

We would be pleased to discuss these proposals in greater detail and thank you for your consideration.



Birny Birnbaum  
Executive Director