



Good practices of conduct in the Costa Rican insurance market related to the COVID-19 health emergency

Sugese issues this publication with the purpose of informing the market and the general public about positive behaviors associated with fair consumer treatment, transparency and the efficient operation of the market in the context of the COVID-19 emergency.

Said behaviors have been identified during the information request processes, holding meetings with insurers and other supervised parties, and monitoring of complaints, claims and news, carried out especially after the aforementioned health emergency.

The positive behavior of some market participants are considered good practices when they provide a fair benefit to the insurance consumer, even without the need for a legal or contractual obligation to adopt them.

• DIGITAL CONVERSION OF SERVICES AND REQUIREMENTS

- Both insurers and intermediaries and auxiliary service providers have digitalized insurance channels, requirements and claims in order to reduce consumer exposure to the virus.
- Without affecting the service, these entities have adopted teleworking measures that protect employees and therefore reduce the possibility of having a limited response capacity.

Sugese expects that, based on this situation, the path already begun by the insurance industry towards a wide digitization of insurance services, responsible, fair and inclusive for the benefit of policyholders and providers, will intensify.

- **EXPEDITE CLAIM RESPONSE.** The use of digital technology, the consideration on the adverse economic situation that consumers may be facing and the reduction of claims in certain branches of insurance allow insurers, intermediaries and auxiliary service providers to respond more quickly to consumers. The simplification of procedures observed in some participants and the efforts to reduce claims handling times are considered positive.

It is expected that the improvements achieved can be maintained and also enhanced, taking advantage of the opportunities offered by technology and the adjustments in internal procedures applied by insurers and intermediaries.

- **TRANSPARENT COMMUNICATION ON RISK DELIMITATIONS ASSOCIATED WITH COVID-19.**

- In cases that apply coverage delimitations of risk associated with COVID-19, such as exclusions or sub-limits due to pandemics, such situation must be clearly communicated.
- When the insurer has decided to accept claims that could be contractually declined, it clearly communicates this to the consumer, especially regarding its scope and timing. Such decisions are based on a responsible analysis of the insurer's financial sustainability.

Transparency must be a constant in communication with policyholders and the general public. In crisis situations, it becomes even more important because confusions worsen the situation and easily generate mistrust. Sugese expects the greatest effort from insurers and intermediaries in this matter.

- **TRANSPARENT COMMUNICATION REGARDING MEASURES TAKEN IN FAVOR OF CONSUMERS.**

- It is clearly specified when a beneficial measure responds to a temporary decision or is a situation that was already contemplated in the law or the policies.
- It is considered good practice for measures to be publicly communicated once implemented. The above to avoid generating false expectations and mistrust in the consumer in the event that these measures do not become consolidated or take too long to do so. Similarly, communicate the impacts of these measures in a transparent manner.

Sugese reiterates the importance of transparency in this type of situation. It is expected for insurers not to publicly disclose incorrect, unclear or misleading information that could create consumer uncertainty and mistrust.

- **ECONOMIC SUPPORT FOR PREMIUM PAYMENT.** From the analysis of the specific case, and the financial consequences for the insurer, in some cases extraordinary facilities have been granted for the payment of insurance premiums. The scope of this facility and its effects are clearly and completely communicated to the consumer.

This type of benefits or others similar, granted by different financial entities, should not be used by the provider in detriment of the consumer's right of choice. It is considered a reprehensible practice to condition the benefits offered to the transferring of their policies to a certain insurer or intermediary.

Sugese expects insurers to evaluate, with the best criteria, the possibility of these benefits considering the particular needs of their clients and the financial possibilities of the entity.

- **INSURANCE POLICY DESIGNS.** Given the evidence of new needs of the insurance consumer, and of new exposures of the insurers as a result of COVID-19, some insurers analyze the creation of new insurance policies or modification of some current policies so that they fit better in the current reality.

It is considered as a good practice that the existence of new products is publicly communicated once they have been properly designed and duly registered before Sugese. The above to avoid generating wrong expectations and mistrust in the consumer in the event that these products do not become available or take too long to do so.

Insurers are urged to strengthen the design processes of their products so that they respond and adjust in a timely and responsible manner to the changing needs of their clients and their consumption profiles, and also to take the necessary measures against emerging risks that they as insurers may face. As required by law, insurance products must not be promoted before they are duly registered before Sugese.

- **SUSPENSION OF DIVIDEND PAYMENT, CAPITAL REDUCTION AND INVESTMENT IN INFRASTRUCTURE.** Although it is not a conduct practice but rather a prudential one, it could eventually affect consumers. Some insurers have decided to suspend the payment of dividends to stockholders, capital reductions or investments in infrastructure, until they are clear about the technical and financial risk scenarios for the near future.

The wide range of variables arising from the health situation that affect the financial and risk scenarios of the entities, must be constantly monitored to timely incorporate the adjustments associated with the solvency planning of the entity. As long as there is no greater clarity in this regard, it is advisable to assume conservative scenarios.



Page 4

Finally, we take the opportunity to warn the general public about the existence of unscrupulous people who, using names or logos of insurers, intermediaries and even Financial Superintendencies, offer benefits in exchange for confidential information or money payments.

In order to avoid a scam, be very jealous of sharing personal information. Remember to check with the insurance company or insurance intermediary, or on the webpage www.sugese.fi.cr the authorized providers and their official means of contact.

San José. May 27th, 2020