

MAN IN THE MIDDLE

MAKING SENSE OF MEDIATION IN INSURANCE

A portrait of Arnaud Chneiweiss, a middle-aged man with dark hair, wearing a light blue suit jacket, a white shirt, and a dark patterned tie. He is looking directly at the camera with a slight smile.

ARNAUD CHNEIWEISS is a seasoned professional in the insurance sector with extensive experience in mediation and regulatory affairs. Jennifer Baker interviewed him about the challenges in insurance consumer protection, highlighting the complexity of insurance contracts and the need for clarity.

You work closely with disputes between insurers and consumers. What are the most common pain points today, and how should actuaries help address them?

‘It’s very difficult for actuaries. Let’s talk about French insurance mediation, we have now more than 40,000 claims per annum, coming from everywhere and everything. Most often people do not understand their insurance contracts. >

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They have difficulties with the vocabulary. For instance, let's talk about the notion of 'accident.'

In daily life, if you say, I have had an accident, something unfortunate or something that you didn't want has happened. For instance, I fell on the stairs in my house, or I was climbing a ladder and I fell, then it's an accident. It seems obvious. But in the insurance contract, you have a lot of definitions. So people often talk about 'small print' in insurance contracts. But I say, no, fortunately, there is no more small print in an insurance contract. It is written normally or even in bold characters to make sure that people look at it. But particularly with exclusions you have a lot of definitions. And to take this example of an accident, in French insurance contracts, usually an accident will require at least four boxes to be ticked.

First of all, you didn't participate. Second, you didn't wish the accident to happen. Third, it has been sudden. But what does 'sudden' mean? Next, you need an external cause. Again what exactly is an external cause? You could debate for hours. So this gap between the common language and the definition in an insurance contract is a source of a lot of incomprehension, sometimes revolts or at least frustration by the insured saying, I have been duped by the insurer. Nobody explained this to me and I must get something. I must get compensation. So this is a question of the clarity of the contracts. The contracts are very long, 60 pages, 80 pages. Of course, we should read all the pages of the contract, and especially the definition section. But nobody wants to look at that because you trust your advisor in the insurance company, and you trust the brand.'

With the rise of big data and AI in underwriting and pricing, how do you see the balance between personalisation and discrimination risk? What is the regulator's role here?

'I think it's very important to preserve the mutualization of the risks. It is really at the heart of insurance. Insurance is the fact that you mutualize portfolios. With the new technologies, there could be a temptation, both for insurers and for the insured to try to get more personalized insurance. Because you can say, after all, I am young, I am not sick, why should I pay in order to show solidarity with people who are sick? Or for instance, my house is on a hill, and therefore the risk of floods is much less. Why should I show any solidarity with people living close to the river?

So on an individual basis, more and more, technology can allow us to be more personalized. For example, while driving there are apps that can get information about the quality of the driving. There are also devices that can gather more information about individual health risks or environmental risk around a specific house. And so the temptation is clear. We already see some insurance companies withdrawing from the most risky part of the territory. In Martinique and Guadeloupe you now have only five insurers, because of the risk of hurricanes. And that's a big risk for the future of the industry. In my opinion, insurance is accepted and the private insurance sector flourishes because there is this mutualization. If private insurers say, no, we only take the best risk, because new technologies allow us to select in a much more clever way, there would be a revolt. In Western Europe at least, I think it would be unacceptable. So insurers should resist the temptation to go too far with individualization.' >

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You mentioned trust earlier – what would you expect from the actuarial profession when it comes to improving trust in the insurance industry from a policyholder's perspective?

'You're right. The matter of trust is at the heart of insurance. What is the job of insurance ? What is the insurance profession? It's a promise. The insurer makes a promise to the insured. It says, you can trust me. You can trust me for decades. I will take care of you, not only in the next few months if you have a car accident, but it depends on the contract. Let's take the example of long term care. If you have health complications when you are old I will be there in the last few years of your life. I will provide an organization, an environment, or I will provide a financial means in order for you to pay for retirement or hospital needs. So in order to believe someone telling you that, you need a lot of trust because you must be sure that this company will not go bankrupt. It makes a promise for decades to come. So indeed, you must be very confident it is financially solid, and the promises made will be honoured.

So that's the job of an insurer. It is totally dependent on the trust of the public and your personal trust. So actuaries, of course, have a key role to play. To help provide this confidence that the company is solid and is well managed, it will not go bankrupt. And the promise that has been made, for instance, for a monthly revenue when you retire, has been made on correct calculations. We have seen, unfortunately and also in France, some examples where customers have provided their savings to the insurance companies, and then a few years before retirement, the insurance company says 'actually the markets have been

difficult and we have been obliged to revise our assumptions and what we will be able to provide is a little bit smaller than expected.' When that happens, of course, it's a hit on the trust relationship not only for these companies but it affects the insurance industry as a whole.'

France has a well-established mediation system for insurance. Should Europe move towards a more unified Alternative Dispute Resolution framework? What lessons could the rest of Europe learn from the French model?

Yes, without being arrogant, I believe that we can draw some interesting conclusions. From our experience, first, we look at the whole insurance sector. I am not the mediator or the ombudsman for only AXA or only Credit Agricole, or only Covea. A full sector overview is key in order to tell this or that individual player, that their clause is too hard or restrictive. Because if you know only one company, you can believe it's normal or a standard practice. But if you have the overview of the whole market, you can say this clause is so restrictive that I have not seen it in any other contract on the market. I remind you I am not a judge, I am not a regulator. Our mission is to try to appease the relationship between the insurer and the insured and we ombudsmen have to make proposals drawing from the lessons that we see.

It comes from the European Directive about us (2013) and the French law in my case.

We make an annual report. And in this report, we make proposals to improve the consumer-commercial relationship and the commercial >

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practices of the sector. So I make proposals to improve the commercial practices of the insurance sector. And sometimes insurers don't like it. But I try to deliver my messages being constructive and helpful always in order to implement the law or jurisprudence, or to help policyholders better understand their contracts. Over the last few years disputed clauses about exclusions, censured by our High Court and still in the contracts have disappeared, so I am proud of that. I think I helped the insurance industry, because it was terrible for the image of the sector. But it requires some courage to address it and to tell it to the insurers.

This being said, it is a collective success. The insurers understood it was in their best interest to follow my advice. Again, I have no more authority than providing advice.'

Do you have a ranking of insurers per mediation demand?

'Yes, it is published in my annual report. I publish the rankings of my best clients. For instance, AXA is my 'best client' in 2024 with 10% of the total of the files. But of course, let's take some precautions because if you are a big player with a big market share it is normal that you would have a lot of claims, and therefore mediation claims. So it is logical that AXA, CNP, which is an important life insurance in France, Credit Agricole, etc, would be the biggest clients for our mediation scheme. But you also have some players ranked much higher than their market share. So it's up to the public to look at it, and maybe draw some conclusions.'

Are there any lessons from recent insurance disputes – such as around COVID-19 or natural catastrophes – that should influence future product design and policy wording? And if you could change one thing in European insurance regulation to improve outcomes for consumers and the market, what would it be?

'From COVID 19 we have learned that very often, the contracts were not clear enough. There was a lot of room for interpretation and disputes over what was covered and what was not covered, and what was at stake was financially very, very important. So I don't know if we need a change of regulation. There are so many already. But my main message is that the clarity of the contract is paramount as well as the understanding between the insured and the insurer.

I think the clearest message we get from the 40,000 claims per annum, is that people do not understand their contracts. Sometimes they pretend, but most often, people are in good faith. They just do not understand what is written because it's too complicated. There are too many rules, so it is very difficult to understand what will be reimbursed. In health insurance, for example, the complexity depends on both state regulations, and decisions taken by the insurer. The actuaries have to make their contribution, and the legal experts must try to design contracts as clearly as possible and to write contracts with as much clarity as possible. People are confused at the crucial moment whether or not the insurer will be on their side. So if I have one wish, it is for simplicity, and clarity of the contracts. I have seen many insurers undertake efforts over the last few years to go in this direction. So I am confident that altogether, each one in his or her responsibility, we will make progress.' <