

Recommendation

On Consumer Right Protection Minimum Standards

Insurance State Supervision Service of Georgia, within the scope of authority conferred on it by the Law of Georgia “On Insurance” (Paragraph (1), Article 20 and Subparagraph (l), Article 21) and based on the review, analysis and generalization of the received applications concerning the consumer right protection, **issues the following recommendation:**

1. Standard contracts (terms and conditions) drawn up by the insurer shall avoid as much as possible the use of ambiguous and vague provisions.

The abovementioned applies to not only the technical part of the contract (for example, exclusion clause visual resources) but also content-related requirements (for example, a compilation of insurance coverage exclusion clause (article/paragraph) so that several provisions of such importance are not confusingly dispersed over different parts of the contract). The systemic and content cohesion of the insurance contract contributes to the understanding of the contract within the full context and clarification of its idea.

2. At the stage of conclusion of the insurance contract, the insurer shall explain to the consumer the content of the contract clearly and in detail.

In particular, to form correct contractual expectations, the consumer should exactly know the amount of insurance coverage, terms and conditions and those cases that are not covered. The readiness of the insurance company when fulfilling the contractual obligations means not only financial readiness but also the capability/will, defined by the organizational policy of the insurance company, to explain and fulfil the contractual obligations in good faith.

3. In relation to providing services concerning particular insurance product and/or insured event, the insurer shall notify to the insured the information/position agreed, reconciled and clarified between structural units of the insurance company.

When contracting with a policyholder, adherence to the standard of conducting in good faith applies at any stage of relations between the insurance company and consumers, both when offering and concluding a contract and when communicating with the insured by telephone and providing with information, as well as when information is provided by a “family doctor” (to what extent the prescribed medical manipulation/medication is subject to the insurance coverage). The insurance company shall ensure that the position of all its members/structural units is based on a complete and comprehensible-to-consumer argumentation. The insurance company shall not be allowed to inconsistently develop and/or change its positions on the same insured event, without a justified and reasonable cause.

4. Upon submission of an insurance claim by a consumer, the insurer shall notify to the consumer the decision on recognition of the insured event and readiness to pay

insurance compensation within a reasonable deadline. The denial to satisfy in full or in part the insurance claim shall be justified by the insurer in accordance with the contract between the parties and the legislation. In case requested by the consumer, the insurer shall issue the justified denial to pay in full or in part the insurance compensation in writing.

The insurer shall follow the principle *Pacta sunt servanda* both when concluding the contract and throughout the contractual period. During the referred process, the insurer shall follow the principle of transparent and effective communication with the policyholder. In case of disagreement on the insurance compensation, the insurer shall not impede the policyholder's interest to protect own rights in the instances determined by the law. The orientation towards the clients' interests shall be for the insurer not only the part of its marketing policy and reputational risk prevention but also, above all, a binding condition of compliance with the standard of contracting in good faith.