

# Research on Protection of Consumers' Rights and Interests in Internet Insurance

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## Abstract

The rapid development of the Internet has brought new vitality to the traditional financial industry, which has also resulted in Internet insurance. Consumers favor Internet insurance business because of its convenience, high efficiency, low cost, and other characteristics and advantages. However, the development of Internet insurance brings significant challenges to the protection of consumers' rights and interests when it brings benefits to society. To better protect the legitimate rights and interests of Internet insurance consumers and promote the sustained and healthy development of the Internet insurance industry, this paper collects 15 documents and summarizes them according to the views of various scholars. To provide a reference for the research on consumer protection of Internet insurance.

## Keywords

Internet insurance consumer protection; Rights protection; Right to know.

## 1. Introduction

The traditional business model of the insurance industry is mainly direct selling, which is primarily through door-to-door visits of sales personnel, telephone inquiries, and other ways, and one-to-one communication with customers, or through the active purchase of customers to carry out insurance sales. Internet insurance is an insurance marketing model based on computer internet, which is different from the traditional insurance marketing model. Internet insurance is a series of business management activities, such as the use of the Internet and e-commerce technology for insurance sales and other events. Insurance institutions rely on the Internet and mobile communication technologies to provide insurance schemes, insurance, underwriting, preservation changes, renewal, claims, etc.

## 2. The Basic Situation of Internet Insurance Consumer Rights Protection

### 2.1. Development Status of Internet Insurance Industry

There are a large number of Internet consumers in our country. The development of e-commerce has promoted the change in traditional sales mode in the retail industry and the development of Internet insurance. In particular, small insurance products with a low premium and close to life, have gradually become the main objects of Internet insurance consumption, such as "transportation insurance" and "driving test insurance." Embedded services are the primary marketing model of such insurance products. Online sales much reflect the convenience of online shopping, its procedures are simple and easy to understand, the insurance coverage is close to life, the insurance coverage is convenient and most, the full amount of compensation is quick, and it has a certain attraction to promote consumers' actual consumption.

Internet insurance, as a commodity with risk management, needs to satisfy the law of large numbers and risk dispersion through scale effect. The current commission system induces some insurance agents to mislead the insured to sell, exaggerate the role of insurance products and make false promises to the protected for their gain.

The weak insurance companies expand blindly, their conditions cannot match the fast-growing business volume, and the after-sales service is not perfect; thus the interests of the insured cannot be adequately protected. This extensive management has brought temporary false prosperity to the insurance market, but it has fundamentally destroyed the image of the insurance industry and made consumers lose confidence in insurance products, insurance companies and even the insurance industry. Serious damage to the interests of insurance consumers has become the biggest obstacle to the development of the insurance industry.

## 2.2. Current Situation of Relevant Legislation in China

The revised "Insurance Law" in 2009 added a series of laws to protect the rights and interests of consumers. In order to protect the rights and interests of insurance consumers, but also to ensure the healthy and stable development of the insurance industry.

On October 14, 2011, the Insurance Regulatory Commission formally established a specialized agency of the Insurance Consumer Rights Protection Bureau.

On January 7, 2012, the Chairman of the CIRC pointed out the "Three Disagreements" of the insurance industry at the National Conference on Insurance Supervision. In order to reverse this situation, he stressed that the insurance supervision will be strengthened and improved to protect the interests of insurance consumers, prevent systemic and regional risks, improve the quality of insurance services and improve the image of the insurance industry.

On January 18, 2012, the CIRC issued the "Notice on Doing a Good Job in Protecting Consumers' Rights" and issued a call to rectify the difficulties in claims settlement and misleading sales of life insurance.

On April 26, 2012, the CIRC opened the "12378 Consumer Complaint Rights Hotline" for the first time, which opened a shortcut for the protection of the right of insurance consumers to complain.

On November 14, 2014, in order to further strengthen the protection of the rights and interests of insurance consumers under the new situation, the CIRC formulated the Opinions of the China Insurance Regulatory Commission on Strengthening the Protection of the Rights and Interests of Insurance Consumers. On May 19, 2015, the CIRC will begin to implement it.

"Operation Bright Sword" aimed at cracking down on damage to the legitimate rights and interests of consumers will be notified of typical cases investigated and dealt with in the "Operation Bright Sword".

On May 15, 2017, the CIRC issued the "Notice on Continuing to Carry out" Operation Bright Sword "to Combat Damage to the Legal Rights and Interests of Insurance Consumers in 2017, in an effort to correct the damage to the legal rights and interests of insurance consumers caused by market turmoil such as marketing dishonesty and data distortion.

On March 15, 2018, China Insurance Regulatory Commission (CIRC) issued "Key Points for Protection of Insurance Consumers' Rights and Interests in 2018" to comprehensively promote the construction of an insurance consumer rights and interests protection system to protect the legitimate rights and interests of insurance consumers. The CIRC and local insurance regulatory bureaus have actively deployed and implemented this work. A series of new policies to protect the rights and interests of consumers have been introduced intensively, including carrying out insurance education, increasing information disclosure, unblocking complaint channels, improving mediation mechanisms, and increasing supervision and punishment. To improve the service level of the insurance industry, improve

the image of the insurance industry in the minds of consumers, and effectively protect the rights and interests of consumers. However, the shadow in consumers' hearts is difficult to be erased in a short time, and there is still a long way to go to reverse the phenomenon of "consumer disapproval" in the insurance industry.

### **3. Challenges Faced by Internet Insurance Consumer Rights Protection**

#### **3.1. Personal Information Protection of Internet Insurance Consumers**

The personal information rights of Internet insurance consumers include three aspects: first, the confidentiality of personal information, that is, individuals have the right or the right to request to conceal personal information; The second is the freedom to make personal decisions, that is, individuals have the right to decide how to control personal information and decide to allow or deny third parties to know and use their personal information in some form. The third is the right not to be disturbed in one's life and the right to seek judicial relief when this right is violated.

The Internet insurance business process is based on the Internet and relies on big data mining and analysis. This characteristic of Internet insurance determines that the protection of Internet insurance consumers' personal information rights faces great challenges. The transmission, storage and use of personal information are all faced with security risks such as the defects of the Internet itself, computer viruses, loopholes in cloud computing and hacker attacks. At the same time, risks such as internal control flaws and employees stealing huge amounts of personal information may also occur within Internet companies.

#### **3.2. Internet Insurance Consumers' Right to Know Protection**

Internet insurance consumers and insurance companies reach transactions through the Internet. Under the background that Internet insurance products tend to be standardized and simplified and network price comparison costs approach zero, consumers make purchase decisions mainly based on the website publicity of insurance companies and the evaluation of netizens. In particular, with the increase in the proportion of mobile terminal services such as mobile phones, due to the small screen and the need to improve transaction convenience and customer experience, web page display is one-sided and incomplete. For example, only providing links to exemption clauses, consumers only need to check and agree. What's more, some insurance companies have adopted a "hunger marketing" strategy, weakening the words "insurance products" and emphasizing high expected return rates and "guaranteed capital and guaranteed bottom." They have adopted a vague approach to the uncertainty of income, deduction of expenses, loss of surrender, and other explanations, not to mention whether there are branches in the consumer's locality.

Misleading sales is the most prominent problem in personal insurance violation complaints. Misleading sales refers to the general term used by insurance companies, insurance intermediaries, and their personnel to make misleading, false propaganda and explanation of insurance products through deception, concealment, or inducement in their insurance business activities. At present, the primary forms of deceptive sales include deceiving the insured, the insured, or the beneficiary. Conceal important information related to the insurance contract from the applicant; To induce the insured not to fulfill the obligation of truthful disclosure stipulated in the insurance law. The protection of consumers' right to know faces severe challenges.

#### **3.3. Internet Insurance Consumers' Rights Protection and Relief Mainly Face Two Challenges:**

On the one hand, Internet insurance consumers are in a relatively weak position, facing the problem of the high cost of rights protection when their rights and interests are infringed.

Internet insurance completely breaks through the restriction of physical business outlets. Consumers may face the situation of protecting rights across provinces, autonomous regions, and municipalities directly under the central government, which is often unbearable for ordinary consumers.

On the other hand, the "window-breaking effect" caused by Internet insurance is more prominent. The process of denouncing an insurance product or even the entire insurance industry is shorter and more intensive. Especially with the continuous growth of self-media such as microblogs and WeChat, the channels of communication are numerous and extensive, and negative information is rapidly fermented, making it easier for risks to gather quickly and the consequences of being more challenging to predict and control. If such incidents are not handled properly, they will soon lead to unstable risk-sharing such as group defense and group litigation, which will not only generate huge goodwill risk and credit loss risk for relevant insurance companies but may even cause specific negative impacts on the entire insurance industry.

#### **4. Perfecting the Protection of Consumers' Rights and Interests in Internet Insurance**

From the perspective of legal perfection and supervision, establish and develop relevant legal systems. China adopts the mode of combining heteronomy and self-discipline to develop a unified and decentralized legislative system. We will improve the guidance and evaluation mechanisms for the protection of the rights and interests of insurance consumers and broaden the channels for consumers to safeguard their rights.

Zhang Wenwen stated in "Research on the Protection of Consumers' Rights and Interests in Internet Insurance" that the content of evidence in the Internet insurance industry should be determined to improve the system of proof in related cases. We can also learn from Li yanchao's introduction of a new sandbox supervision mode mentioned in "legal thinking on the protection of the rights and interests of internet insurance consumers in China" to establish and perfect relief channels for the protection of the rights and interests of internet insurance consumers. Secondly, we will improve laws and regulations as well as professional protection agencies, improve the long-term mechanism of consumer publicity and education, strengthen the supervision of the solvency of Internet insurers and the construction of a credit rating system, regulate fraud by Internet entities, and strictly implement the disciplinary system for dishonesty. For example, Zheng Shanyu stated in "Legal Protection of Personal Information of Internet Insurance Consumers" that the establishment of a network of personal information rights is based on consumers' right to privacy. Unifies the concept, and the content clearly defines the protection principle, establishes the complete infringement responsibility system, prevents and severely punishes the Internet insurance profession, the criminal behavior.

##### **4.1. Lawmaker's Perspective**

Establish a diversified dispute resolution mechanism and broaden the channels for Internet insurance consumers to safeguard their rights.

At present, there are many problems in protecting consumers' rights on the Internet, for example, the way of safeguarding rights is relatively single (mainly litigation), and the cost of preserving rights is high, and it is difficult to provide evidence, etc. To ease consumer complaints, the following suggestions are made.

(1) Establish an online and effective dispute resolution mechanism for non-litigation third parties. Just like the international ODR mechanism, online reconciliation, mediation, and arbitration can be realized through social software such as microblog, WeChat, and QQ. For

example, developed insurance countries such as Britain and Japan have adopted corresponding financial ADR mechanisms. Referring to the British commercial inspector system, we will set up a particular business service institution or relevant trade association as a neutral third party, and within the institution or trade association, we will provide professional financial mediators (with both professional insurance knowledge and legal literacy). Through mediation by commercial mediators, Internet insurance disputes will be resolved within the industry as much as possible, and the mediation process and results will be published in a timely manner through media such as official website and APP for consumers to consult. Internet insurance-related transactions are completed online, so to improve the efficiency of dispute resolution, similarly, Internet insurance dispute resolution can also be carried out online by the Internet Insurance Industry Association and its related agencies.

(2) In view of the risk of serious information asymmetry in Internet insurance, it is suggested to reverse the burden of proof. When Internet insurance consumers conduct insurance activities online, due to the restriction of information access and the situation that the insurer usually sets format terms, consumers face significant obstacles in proof when defending their rights. Internet insurers, as holders of a large amount of information and data, should bear the corresponding burden of evidence instead of consumers, to ensure the substantial progress of consumer rights protection.

#### **4.2. From the Perspective of Regulators**

##### **Strengthen the Supervision of Internet Insurance Information Disclosure**

Information disclosure by Internet insurers is a significant way for Internet insurance consumers to obtain information. To safeguard the rights and interests of consumers, regulators should strengthen the supervision of information disclosure. The China Insurance Regulatory Commission implemented the Interim Measures for Supervision of Internet Insurance Business in October 2015. Although it requires the contents of information disclosure, it does not regulate the specific forms and details of information disclosure in essence. Its expression is general and general and lacks particular operability. At present, in the market, all kinds of APP disclose important information within the rules of the Measures. They list all the contents that should be published regardless of their weight. It is difficult for ordinary consumers to identify relevant information in insurance contracts. To fully implement the insurer's information disclosure, regulators should stipulate the level and priority of information disclosure, and guide the insurer to abide by and implement it, to avoid the information disclosure link becoming a mere formality.

##### **Perfecting Internet Insurance Credit System**

The participants in the Internet insurance field are relatively complex, including insurers, third-party platforms, policyholders, etc. Completing the Internet insurance credit system will effectively reduce the possibility of information asymmetry brought about by the Internet background, thus contributing to the protection of the rights and interests of Internet insurance consumers. We can learn from the experience of the United States and build a credit rating system for the insurance industry. We can make professional assessments and forecasts of risks for the financial information, operating conditions, borrowing and lending conditions and other credit information of various subjects participating in Internet insurance, and make credit evaluations for them to facilitate inquiries by all parties. At the same time, the official insurance industry association can also organize insurance companies, third-party platforms, and other organizations to form a complete insurance credit system database, and share information with other financial institutions, so that the credit status can be known to the public, which is conducive to the protection of the rights and interests of Internet insurance consumers.



### 4.3. Strengthen and Advocate the Publicity and Education of Consumers

In the related fields of Internet insurance, the government is not only the regulator but also should undertake the responsibility of promotion and training for the vast number of consumers. At the same time, the government should change the way regulatory agencies sing "one-man show" and act as a "leader" to promote the public education pattern in which regulatory agencies, industry organizations, insurers, news media, and other parties participate, increase social recognition, effectively expand publicity, effectively do an excellent job in education and popularization related to the safety of public online consumption, and prevent the risk of damage to consumers' rights and interests. It is essential to know that the publicity and education of consumers cannot be completed overnight, and it must be carried out regularly to be effective.

### 4.4. Consumer Perspective

Consumers should enhance their knowledge of network security and strengthen their awareness of protecting their rights and interests. Consumers should treat the insurance contract carefully when they take out insurance online, carefully read the various exemption clauses of the insurer, and prevent the possibility of damage to their own rights and interests in the future. When discovering that rights have been violated, consumers should bravely raise their legal weapons and use legitimate, legal, and effective ways to safeguard their rights. The law will certainly stand on the side of justice.

### 4.5. Insurer's Perspective

Mandatory display of insurance contract terms

In practice, most Internet insurance consumers do not need to read the corresponding clauses at the actual place during the contract signing stage and can sign the contract only by checking the consent. Consumers often neglect to understand the deal because of this. Therefore, the insurer should make the terms of the agreement readable to consumers, instead of just formally agreeing, to fully protect consumers' right to know.

Make obvious hints on important terms of the contract

For insurance contracts, such as the specific guarantee content, exemption clauses, etc. are important clauses in insurance contracts. When consumers defend their rights, insurers often use the relevant contents of exemption clauses as defense reasons. For ordinary Internet insurance consumers, given the lack of relevant technical knowledge, even if the insurer has fulfilled its obligation to inform and explain the contract terms in full display in front of consumers, consumers are often difficult to accurately identify the exemption terms and foresee their future impact on their rights and interests. Therefore, the insurer cannot simply display the contents of the clauses of the insurance contract, and at the same time, it should also make obvious hints on the important clauses, so that consumers can understand the relevant exemptions.

## 5. Conclusion

With the rapid development of the Internet insurance industry relying on Internet technology, consumers' right to know, and personal information protection are facing many challenges, and consumers' rights protection process is also facing many difficulties. Through raising consumer's awareness of insurance, strengthening administrative supervision, establishing and perfecting relevant laws and regulations, doing a good job of prevention in advance, control in the process, and settlement afterwards, various dispute resolution channels are provided for consumers. Only by earnestly safeguarding the rights and interests of consumers can the development of the Internet insurance industry be promoted.

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