



Association of British Insurers



## **ABI and BIBA Code of Good Practice regarding support for potentially vulnerable motor and household customers at renewal**

**Date of Publication: January 2016**

**Renewed: October 2018** In line with paragraph 11, it has been agreed by the ABI General Insurance Council and the BIBA Main Board that the Code should continue in its current form. The ABI and BIBA will review any changes to the legislative and regulatory environment, and make a recommendation to the ABI General Insurance Council and the BIBA Main Board no later than 1 November 2021 as to whether the Code should continue in its current or an amended form.

### **Definitions**

For the purpose of this Code of Good Practice the following definitions apply:

- (a) **ABI** means the Association of British Insurers;
- (b) **Potentially vulnerable customer** means an individual who may be particularly at risk in their interaction with financial services providers, due to a certain set of circumstances, characteristics or processes that may affect their ability to make an informed choice. A customer in such a situation may be significantly less able than a typical consumer to identify, protect or represent his or her interests.
- (c) **FCA** means the Financial Conduct Authority;
- (d) **Insurer** means a firm authorised by the FCA to effect and carry out contracts of home and /or motor insurance as principal in the UK and which is a member of the ABI;
- (e) **Broker** means a member of the British Insurance Broker Association carrying out businesses in relation to home and /or motor insurance in the UK

### **A. Introduction**

1. The ABI has written to the FCA calling for regulation that will improve clarity and transparency at renewal for all home and private motor insurance customers across all distribution channels. In addition to those proposals, the ABI and BIBA are jointly publishing this voluntary Code of Good Practice (the Code) to support potentially vulnerable private motor and household customers.
2. The purpose of this Code is to provide a basis for Insurers and Brokers to put a strategy in place that will deal appropriately and flexibly with vulnerability at renewal. Its aim is to ensure that customers, who may, at any given time in their interaction with their insurance provider, be significantly less able than a typical consumer to protect or represent his or her interests, do not unduly suffer detriment as a result.



Association of British Insurers



3. Definitions of vulnerability used by firms may vary. In its Occasional Paper no.8: Consumer Vulnerability published in February 2015, the FCA identified a number of examples of risk factors that may lead to vulnerability in financial services. The examples most relevant to private motor and household insurance customers at renewal include:
  - Low literacy, numeracy and financial capability skills.
  - Physical disability.
  - Severe or long-term illness.
  - Mental health problems.
  - Being 'older old' for example over 80, although this is not absolute (may be associated with cognitive or dexterity impairment, sensory impairments such as hearing or sight, onset of ill-health, not being comfortable with new technology).
  - Change in circumstances (e.g. job loss, bereavement, divorce).
  - Lack of English language skills.
4. Vulnerability could manifest itself for customers when engaging with the insurance industry in a number of ways, including:
  - A reduced understanding of alternative products or providers;
  - Perceptions of barriers to exit from their existing provider (whether real or perceived);
  - A reduced access to the market or an ability to shop around;
  - A reduced ability to compare products or a lack of understanding of their features and how they may impact on the customer.
  - A heightened 'trust' in the product and premium offered by their current insurer or broker.
5. Insurers will continue to make their own commercial decisions when determining whether to offer cover and the level of premium they charge.
6. The ABI and BIBA have been mandated by their respective members to publish this Code which sets out at section C industry Good Practice for supporting potentially vulnerable home and motor customers at renewal.

## **B. Application of the Code**

7. This Code is voluntary and concerns interactions between Insurers or Brokers and potentially vulnerable motor and household customers only, in respect of products sold and/or services offered in the UK.
8. This Code sets out Good Practice for Insurers and Brokers when communicating with a potentially vulnerable customer.
9. This Code should be followed in addition to all applicable legal and regulatory requirements.



Association of British Insurers



10. The ABI and BIBA will produce a report one year after the date of publication of this Code to assess its influence on the treatment of potentially vulnerable customers.
11. This Code will come into effect on 1 January 2016 from which point Insurers and Brokers will have 12 months to prepare for its commitments. The ABI and BIBA will review any changes to the legislative and regulatory environment, and make a recommendation to the ABI General Insurance Council and the BIBA Main Board no later than 1 November 2018 as to whether the Code should continue in its current or an amended form.

### **C. Customer commitments**

#### *(a) Business processes at renewal for potentially vulnerable customers.*

Insurers and Brokers should:

12. Ensure staff are adequately trained to recognise and understand potentially vulnerable customers at renewal, listen to their particular needs and be equipped with flexible options to help address those needs where appropriate.
13. Implement business processes, with prescribed triggers, to ensure that the Insurer or Broker, where relevant, is satisfied that products offered and pricing for those identified as potentially vulnerable customers are fair and reasonable.
14. Take account of the characteristics associated with vulnerability in making decisions on pricing and promotional practices in order to mitigate against the risks of poor customer outcomes for potentially vulnerable customers.
15. Periodically review customers on legacy products and where potentially vulnerable customers can be identified take proactive steps to ensure that the product continues to meet their needs and that they are aware of any alternative products.

#### *(b) Proactive communication.*

In renewal communications with those identified as potentially vulnerable customers Insurers and Brokers should:

16. Where possible proactively ask the customer if their current policy and renewal offer meets their ongoing needs and make clear to the Customer that they should review their cover at renewal.
17. Consider whether additional communication by letter, email, telephone, text etc would be appropriate compared to their standard approach to customers at renewal, or whether a more inclusive renewal offering process, or specialised customer support is available to help address any identified risk factors for vulnerability.
18. Ensure communication always sets out the customer's options at renewal and how they go about exercising those options.
19. Not explicitly encourage the Customer to do nothing at renewal as this may discourage active engagement in the renewal decision.



Association of British Insurers



20. Explain to the Customer that factors affecting their premium may have changed since their last renewal and that the Customer can contact their Insurer or Third Party to satisfy themselves that the product is still suitable for their needs.