



Association of British Insurers

Good practice guide

**FOR MOBILE PHONE INSURANCE PROVIDERS,
ADMINISTRATORS AND RETAILERS**

January 2014

Foreword

Mobile Phone Insurance (MPI) has become an increasingly valuable product for consumers over the last few years due to the following reasons:

- The increasing ownership of smartphones – research suggests that over a quarter of adults (27 per cent) and almost half of teenagers (47 per cent) now own a smartphone¹
- The increasing cost of devices such as smartphones – many now costing more than a laptop PC
- The mobile nature of the device – increases the risk of loss or damage

In November 2011 the Financial Conduct Authority (FCA) launched a thematic review² of mobile phone insurance with the aim of assessing its value to customers. The findings of the review stated that when designed, sold and administered fairly, the MPI product can be useful.

However, the review found a gap between what some firms have led consumers to expect from the product and what the product actually delivers. This guide is aimed to help firms (providers, administrators and retailers) close this gap.

¹ Ofcom – Communications Market Report: <http://consumers.ofcom.org.uk/2011/08/a-nation-addicted-to-smartphones/>

² FCA – Mobile Phone Insurance – ensuring a fair deal for consumers: <http://www.fca.org.uk/static/documents/thematic-reviews/tr13-02-mobile-phone-insurance.pdf>

Providers only

PRODUCT GOVERNANCE

Current regulation:

Providers of mobile phone insurance are subject to regulations on product governance, including but not limited to:

- Treating Customers Fairly Outcome 1 & 2
- FCA Principles for Businesses 2, 3, 6 & 7
- FCA Senior Management Arrangements, SYSC 3

Good practice

The recommendations set out in Table 1 strengthen existing practice under the current requirements for providers of mobile phone insurance.

TABLE 1

Aim: to ensure that the product is ‘fit for purpose’

Providers must develop products that are aligned to customer needs.

Providers should work with retailers to distribute and market the MPI product so that it meets customer needs and expectations.

Providers must manage the risks associated with the MPI product over its lifecycle (from design stage to claim stage).

Providers and administrators

PRODUCT DESIGN

Current regulation:

Providers of mobile phone insurance are subject to regulations on product design, including but not limited to:

- Treating Customers Fairly Outcome 2
- Insurance Conduct of Business Sourcebook (ICOBS) 2.2
- FCA Principles for Businesses 6 & 7

Good practice

The recommendations set out in Table 2 strengthen existing practice under the current requirements for providers of mobile phone insurance.

TABLE 2

Aim: to ensure that customer needs are at the heart of the product design process

Providers should consider the use of qualitative research and/or quantitative data to assess the needs of target markets.

Providers should work closely with retailers to design products that can be easily understood by retailers, their staff and customers.

Providers should consider employing external agencies and focus groups to assess the suitability of a product and customer understanding of the product and accompanying literature.

Providers should ensure that the retailer is informed of the customer's right to cancel the policy at any time during the term and obtain a refund (if applicable).

Providers should identify complaint trends (through information provided by the retailer) to help develop/improve product design. Equally information from complaints handled by the Provider and feedback from FOS should be used to help develop and improve the design of the product.

Providers should identify claim trends to develop/improve product design.

TERMS AND CONDITIONS

Current regulation:

Providers are subject to regulations on policy detail, including but not limited to:

- Treating Customers Fairly Outcome 3
- Insurance Conduct of Business Sourcebook (ICOBS) 6.1
- Insurance Conduct of Business Sourcebook (ICOBS) 6.2
- Unfair Terms in Consumer Contracts Regulations
- FCA Principles for Businesses 6 & 7

Good practice:

The recommendations set out in Table 3 strengthen existing practice under the current requirements for providers of mobile phone insurance.

TABLE 3

Aim: Customers should be presented with clear terms and conditions (that are in plain English), and information about their cancellation rights when purchasing mobile phone insurance

Providers should take steps to ensure that the product documentation clearly lists all of the features which are covered.

Providers should ensure that the terms and conditions of each product clearly state what risks the product covers, what the benefits are, and list any exclusion(s) which may apply.

Within the policy summary, providers should aim to highlight key product benefits, limits, main exclusions and limitations, how to claim, cancellation rights etc.

Providers should ensure that the policy details provide clear information on how and when to claim (examples of acceptable/unacceptable claims may be helpful), and provide customers with a list of Frequently Asked Questions.

Providers should ensure that the policy details provide clear information on cancellation and refund rights.

SALES PRACTICE

Current regulation:

Providers of mobile phone insurance are subject to regulations on the information that must be made available to customers at the point of sale, including but not limited to:

- Treating Customers Fairly Outcomes 2, 3 & 4
- Insurance Conduct of Business Sourcebook (ICOBS) 2.2
- Insurance Conduct of Business Sourcebook (ICOBS) 6, Annex 2

Good practice

The recommendations set out in Table 4 strengthen existing practice under the current requirements for providers of mobile phone insurance. Please note that providers should ensure that these recommendations also apply to retailers who sell MPI under the connected contract exemption.

TABLE 4

Aim: To improve transparency at the point of sale so that customers can make an informed decision about the suitability of a product

Providers should ensure that the retailer is provided with the following key contract terms of the product(s) to help inform the customer of the key features of the product at point of sale:

- the period of cover
- the limit of sums covered
- the level of cover provided
- the total premium disclosure
- key exclusions within the policy
- time notification limits
- excess charges
- cancellation rights, and the manner of calculating refunds, including any cancellation fees

In their policy summaries, providers should ensure all of the above are always covered.

Providers should take steps to ensure there is appropriate governance in place for financial promotions used by retailers.

The Provider should ensure that the retailer has adequate controls regarding sales monitoring and ongoing training and competence.

The Provider should establish that the retailer has sufficient controls as part of the provider's governance and oversight arrangements.

CLAIMS

Current regulation:

Providers of mobile phone insurance are subject to regulations on claims, including but not limited to:

- Treating Customers Fairly Outcome 5
- Treating Customers Fairly Outcome 6
- Insurance Conduct of Business Sourcebook (ICOBS) 8.1
- FCA Principles for Businesses 2, 6 & 7

Good practice:

The recommendations set out in Table 5 strengthen existing practice under the current requirements for providers of mobile phone insurance.

TABLE 5

Aim: To remove any unreasonable post-sale barriers imposed by firms to submit a claim

Providers should take steps to ensure the retailer is provided with adequate information on whether and how the customer is able to:

- Change the product
- Cancel the policy
- Obtain a refund

Providers should make retailers aware of refunds available and the basis on which the amount of any refund is calculated (to help retailers inform the customer).

Providers should ensure that claims are fully investigated prior to any decline decision and to reduce the number of claims decisions overturned upon complaint. Claims should not be declined for a breach of term where the breach was unconnected to the nature of the claim.

Providers/administrators should have adequate management information to ensure that claims are handled promptly and fairly

Providers should take account of the claims experience in developing products. In addition, where claims are outsourced the provider should have in place adequate systems and controls to analyse the claims experience.

COMPLAINTS

Current regulation:

Providers of mobile phone insurance are subject to regulations on redress, including but not limited to:

- Treating Customers Fairly Outcome 6
- Insurance Conduct of Business Sourcebook (ICOBS) 6.2
- Dispute Resolution Complaints (DISP) 1
- FCA Principles for Businesses 2, 6 & 7

Good practice:

The recommendations set out in Table 6 strengthen existing practice under the current requirements for providers of mobile phone insurance.

TABLE 6

Aim: To remove any unreasonable post-sale barriers imposed by firms to make a complaint

Providers should ensure that customers are made aware of different ways of making complaints in order that they can complain by any reasonable means.

Providers should identify complaint trends (through information provided by the retailer and root cause analysis) to help develop/improve product design.

Retailers only

SALES PRACTICE

Good practice

The recommendations set out in Table 7 go beyond existing requirements for retailers of mobile phone insurance and should also apply to retailers selling MPI under the connected contract exemption.

TABLE 7

Aim: To improve transparency at the point of sale so that customers can make an informed decision about the suitability of the MPI product

Retailers should take steps to ensure customers are provided with the following key contract terms of the product(s) at point of sale:

- the period of cover
- the limit of sums covered
- the level of cover provided
- the total premium disclosure
- key exclusions within the policy
- time notification limits
- excess charges
- cancellation rights, and the manner of calculating refunds, including any cancellation fees

Retailers should take steps to ensure a written summary of the key contract terms of the product(s) and level of cover is provided to the customer prior to the completion of the contract.

Retailers should take steps to ensure commission arrangements are not incentivising inappropriate sales behaviour and high-pressure selling techniques.

Retailers should ensure that any statement of demands identifies the requirements of the customer based upon their individual circumstances.

Retailers should take steps to ensure that the customer is eligible for the policy recommended and that it meets their requirements.

Retailers should ensure that they inform the customer at point of sale if a contract has timescales (i.e. notifying network provider, police and provider).

Retailers should ensure the sales process includes checks/confirmation to ensure that the customer understands what they are buying and that the policy is entirely optional and not automatically included.

Retailers should ensure they inform customers that the mobile phone insurance contract is a separate purchase from the handset and network contract.

Retailers should ensure that staff are trained and competent to sell and that there are ongoing monitoring controls in place to assess their competence.