



Review of the ABI and BIBA Code of Good Practice regarding support for potentially vulnerable motor and household customers at renewal.

Background

The ABI and BIBA jointly published a voluntary Code of Good Practice to support potentially vulnerable motor and household customers at renewal (the Code). The Code was published in January 2016 with Insurers and Brokers given 12 months to prepare for its commitments. In addition, the ABI called on the FCA for regulation to improve clarity and transparency at renewal for all home and private motor insurance customers.

The purpose of the Code is to provide a basis for Insurers and Brokers to implement measures to 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. In section B.10 of the Code, we committed to producing this report one year after the Code's publication, to assess its influence on the treatment of potentially vulnerable customers at renewal.

Executive Summary

In the report we have outlined some of the steps ABI member firms, representing the majority of the UK Motor and Household insurance market, have taken during the initial 12 month implementation period. The report makes clear the significant resources being committed by firms to support vulnerable customers' needs at renewal and identifies a range of examples of good practice within firms.

Eight broad areas of good practice across firms are identified and outlined in this report: implementation of vulnerability policies; staff training; support to vulnerable customers; product review process; long standing products; renewal communications changes; pricing transparency and prior year premium disclosure.

The support that firms offer vulnerable customers at renewal, as identified in this report, will continue to evolve. The good practice identified can be shared and built upon and we will continue to engage with the FCA, which has focused on approaches to vulnerability in its Mission document, to support positive customer outcomes.

Examples of good practice identified in firms

1. Implementation of vulnerability policies

Several firms have implemented vulnerable customer policies, which establish the overarching approach and framework for identifying and treating potentially vulnerable customers, in all aspects of the customer lifecycle. Although the policies are specific to each firm, examples of policy good practice include:

- Outlining a vision for how the firm aims to treat potentially vulnerable customers.
- Principles to support identification and understanding of potential vulnerability, to ensure that it can be recognised and cared for.
- Setting out how the firm deals with customers who are temporarily vulnerable.

Firms have also implemented clear processes and systems to underpin their vulnerability policies, many of which are outlined in this paper. Identification of consumer vulnerability is a major challenge and a number of firms said they have implemented, or are developing, 'flags' for a customer's policy where vulnerability is identified. This allows them to be aware that the customer may have different needs and provide the correct support to the customer during all future interactions.

2. Staff training

A customer's first interaction with a firm can be vital to identifying potential vulnerability. A customer may refer directly to their personal circumstances, or there may be indirect references to vulnerability. In either case, signs of vulnerability need to be identified by staff and appropriate action to support the customer needs to be taken.

Several firms reported that they had initiated training programmes for frontline staff to identify vulnerability, with e-learning modules, scenario planning and discussions of customer experiences among the methods used by firms on an annual basis and during new staff inductions. Alongside this, firms had implemented vulnerability policies, outlined above, so that appropriate actions are taken once vulnerability is identified.

This training enables staff to actively look for signs of vulnerability. Firms reported that they had also produced vulnerability documents summarising how customers may become vulnerable and reminding staff about scenarios where a customer could be susceptible to vulnerability. Many firms have developed their training programmes with support from the third sector to improve their effectiveness and impact. For example, one firm runs training sessions in conjunction with Dementia Friends. Other firms said that they had created 'Vulnerable Customer Champions' within customer facing departments to monitor how vulnerable customers were being treated and decide if further bespoke training is required.

3. Support to vulnerable customers

Firms reported that they had implemented a number of new procedures aimed directly at providing greater support to vulnerable customers. A number of firms said that they allowed third parties to interact with them on behalf of the vulnerable customer. This option was often sign-posted by firms on communications with customers and many firms placed 'flags' on a customer's policy to highlight if there was a third party who may be better able to deal with enquiries. This option allows friends, relatives and carers of vulnerable customers to help them with the renewal process, reducing the burden on the customer, and improving customer outcomes.

Firms said that they included details of third party support that is available to customers in their renewal documentation, enabling vulnerable customers to seek free and impartial advice from third sector organisations.

A firm with a face to face customer relationship has been able to conduct client visits to vulnerable customers' homes, allowing them to discuss the customer's needs and concerns face-to-face and establish which product is best suited to the customer and any additional support that the customer may require.

4. Product review processes

Ensuring that a firm's products are appropriate for vulnerable customers is another critical element to ensuring that vulnerable customers are dealt with appropriately at renewal. Firms reported that vulnerability is now a standing factor in all aspects of product review. Reviews encompass all aspects of a product, including design, pricing, documentation and tracking the outcomes that a product delivers for consumers.

As part of this process, a number of firms reported that complaints across the customer journey were monitored to ensure that issues with products are identified. One firm has also made contact with charitable organisations to help provide factual, rather than assumptive, improvements to services and products.

5. Long standing products

As potentially vulnerable older customers are more likely to have held a particular product for a longer period time (sometimes referred to as legacy products), it is important that proactive steps are taken to ensure that these products continue to meet customer needs. A number of firms reported that case handling at renewal for legacy products was dealt with on an individual basis. Other firms said that customers on legacy products were notified at renewal if a newer product may better meet their needs. An example of best practice is a firm that is actively calling all legacy customers who have been identified as potentially vulnerable, to discuss their needs and assess whether there may be a more suitable product available.

6. Renewal communications changes

Ensuring customers engage with their insurance policy at renewal is an important step toward making sure a product continues to meet a customer needs. Firms reported that renewal documentation had been changed to include explicit calls to action from customers, including one firm beginning its renewal letter with the heading 'It's decision time...'. Firms said that this documentation also contains information for customers on how to amend or cancel a policy. This ensures that customers are encouraged to be proactive at renewal and that alternative options are clearly signposted.

A number of firms outlined further changes that had been made to renewal documentation to support vulnerable customers. This included explaining to customers the factors that affect their premiums and explicitly encouraging customers to shop around to make sure that the product suits their ongoing needs; this will be included in all renewal documentation by April 2017 as set out by the FCA. One firm has rewritten its renewal letter entirely, with the support of consumer representatives, to improve readability and reduce the word count. All of these measures support vulnerable customers, who may struggle to understand the information presented to them by firms and how the renewal process operates, by creating a clearer and simplified renewal process.

Furthermore, these changes encourage vulnerable customers to engage with firms at renewal, allowing firms to ensure that they continue to provide the most suitable product to a potentially vulnerable customer.

7. Pricing transparency

Firms have begun looking at ways to improve pricing transparency at renewal. One firm is developing a communication to all customers to explain how changes in their personal circumstances may affect their renewal premium in order to make customers more aware of how premiums are calculated. Another firm has created a website providing a breakdown of where customer's premium goes, allowing customers to better understand changes in pricing. Such steps allow insurers to provide additional background and information to customers, helping them to debunk some of the myths that surround insurance premiums and pricing. This is particularly important for vulnerable customers who may have impaired cognitive ability.

8. Prior year premium disclosure

As originally proposed by the ABI, firms have begun amending renewal letters to include disclosure of the previous year's premium. This will be applied to all renewal documentation with effect from April 2017, as set out in the FCA's timetable for implementation. This will promote greater transparency in pricing at renewal and make it clear when a price has changed substantially. Potentially vulnerable customers will have a clearer indicator of the potential benefits of taking action at renewal and consider shopping around for a product that better suits their individual needs.

Next Steps

As this report sets out, firms have already adopted a range of steps to support potentially vulnerable household and motor customers at renewal. This support for vulnerable customers will continue to evolve, with firms examining new ways of helping customers at renewal. The ABI will continue to encourage the implementation of measures aimed at supporting the needs of vulnerable customers and welcomes the FCA's continued focus in this area, as outlined in its recent Mission Review. We will work with the FCA in this area to support vulnerable customers and promote good practice throughout the UK insurance industry.

We will review the continued suitability and application of the Code and make a recommendation as to whether it should continue in its current or an amended form, to the ABI General Insurance Council and BIBA Main Board no later than 1 November 2018.

Appendix 1 – List of Contributing Firms:

This document is intended as a summary of the different measures insurance firms are taking to assist potentially vulnerable motor and household customers at renewal. It does not attribute any practices to individual firms. The following ABI member companies contributed feedback to inform the development of this report.

- Admiral Insurance
- Advantage Insurance
- Ageas
- AIG
- Allianz
- Aviva
- AXA
- Chubb
- Co-operative Insurance
- Covea Insurance
- Direct Line Group
- Ecclesiastical Insurance
- Esure
- Lloyds Banking Group
- LV=
- Markerstudy Group
- NFU Mutual
- Premier Underwriting
- RSA Group
- Sabre Insurance
- Tesco Bank
- Zurich