Association of British Insurers

Ensuring Positive Customer Experiences of Buying Insurance Online

A Good Practice Guide

December 2009

Foreword

Recent years have seen significant growth in both the number of general insurance comparison websites, and the number of customers using them. The scale and pace of this expansion have put comparison websites under the regulatory and media spotlights, with examples of good and bad practice being identified.

But while it is the scrutiny of comparison websites that led to the development of this guidance, this is also relevant to other online distributors. All customers are entitled to receive high levels of service regardless of how they buy their insurance, whether direct from the insurer, through a broker or via a comparison website.

This guidance therefore sets out a series of high-level aims that all organisations who sell general insurance to retail consumers should seek to achieve. Our goal is to ensure that, regardless of which online distribution channel customers use, they can be confident that they are able to identify and purchase the insurance product most appropriate to their needs.

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Introduction

The purpose of the guidance

The guidance sets out a series of high-level standards insurers, brokers, comparison websites and software houses should seek to achieve in order to ensure customers have positive experiences when purchasing general insurance products online.

There are already a number of principles and rules (e.g. Insurance Conduct of Business Sourcebook and the Direct Marketing Directive) applied to insurers, brokers and comparison websites by virtue of regulation by the Financial Services Authority (FSA). FSA regulation requires that:

- A firm must pay due regard to the interests of its customers and treat them fairly (Principle 6), and
- A firm must pay due regard to the information needs of its customers, and communicate information to them in a way which is clear, fair and not misleading.

This guidance is intended to strengthen existing practices in these areas; but it is not a definitive guide.

The status of the guidance

This is not FSA-confirmed guidance. This is a voluntary good practice guide for insurers, brokers, software houses and insurance comparison websites.

Authors of the guidance

The guidance has been developed by:

- Association of British Insurers (ABI)
- British Insurance Brokers' Association (BIBA)
- Confused
- GoCompare
- Moneysupermarket
- Beat that Quote
- Tescocompare
- Swinton
- CDL
- Which?
- UNLOCK.

Background

The last decade has seen a significant change in the way people buy general insurance products. In 2007, more than two-thirds of customers used the internet to identify suitable motor insurance policies. Many of these searches were conducted via insurance comparison websites.

Comparison websites can help customers compare different product features in order to find the policy most suited to their needs; however, concerns have been raised about the way information is sometimes presented.

In 2008, the FSA conducted a review of comparison websites to determine the extent to which they treat customers fairly and, in particular, whether the information they provide to consumers is clear, fair and not misleading. It found examples of good and bad practice.

While many comparison websites took action to improve information to customers following the FSA's review, a number of stakeholders continued to express concerns. In June 2009, the ABI held a forum on comparison websites to identify where further improvements were needed. The forum was attended by a range of stakeholders including insurers, brokers, software houses, comparison websites, the FSA, and consumer groups, the output of which was an agreement to work together to ensure positive customer experiences of online insurance purchases.

A further forum was held in October 2009 to agree aims that online insurance distributors should work towards. This guidance has been developed as a result of that discussion.

Implementation

This guidance will be available to all general insurers, brokers, software houses and comparison websites from December 2009. We urge stakeholders to implement the necessary changes as soon as possible.

Review and update

While the guidance is voluntary, it is important that online distributors seek to achieve the high-level standards it sets out. The ABI will therefore carry out regular reviews to establish how widely it is being implemented, and to

identify any new issues that need to be incorporated into it, after consultation with stakeholders.

Format of the guide

The guidance establishes standards in the following areas

- Excess levels
- Add-ons
- Total price disclosure
- Accurate data
- Guaranteed prices
- Policy information
- Referrals and signposting.

Excess levels

Aim: customers should understand what an excess payment is, and how much they will be expected to pay towards any claim against the policy

How to achieve the aim

What	Who
Provide customers with clear information about what excesses are –	
• websites should display text explaining what voluntary, compulsory and total excess means. Language should meet the requirements of the FSA's Principle 7.	All online distributors
Ensure customers understand what the different components of their excess are –	
• the results page should breakdown the excess into voluntary, compulsory and total components. - as a minimum, total excess should be displayed.	All online distributors
• the results page should display excesses for all people to be covered by the policy, not just the policyholder (e.g. a young named driver may incur a higher compulsory excess). - as a minimum, if another person to be covered by the policy incurs a different excess this must be highlighted to the customer in the detail of the quote. This should not be displayed as 'help text' as some customers may not click to view it.	All online distributors
• insurers and brokers should provide comparison websites with sufficient information to allow them to comply with the good practice on excess levels identified above.	Brokers & insurers

[1] FSA Principles of Business, Principle 7: Communications with customers A firm must pay due regard to the information needs of its customers, and communicate information to them in a way which is clear, fair and not misleading.

Ensure all returned quotes match the customer's requested criteria -	
• only display quotes which state the level of excess (i.e. do not display quotes which refer the customer to the insurer).	Comparison websites
• quotes should not be returned which include a significantly different excess from the one the customer has requested. Where the excess differs from that requested, the difference must be reasonable and clearly highlighted.	Comparison websites
Be clear about what is and what isn't covered by the policy -	
• it should be clear where there are different levels of excess for different components of cover (e.g. windscreen cover in a motor policy).	All online distributors

Add-ons

Aim: customers should only be provided with quotes which are consistent with the type of cover they have requested

How to achieve the aim

What	Who
Ensure quotes are consistent with the customer's request -	
• quotes should only be returned that include all the add-ons the customer has requested. - if comparison websites are unable to return quotes from at least 25% of their panel, they might want to consider providing quotes that do not offer the customers with all the add-ons that they have requested. However, any differences between what has been requested and what is returned must be reasonable and clearly highlighted.	All online distributors
• any additional add-ons that are returned as part of the quote should be highlighted to the customer.	All online distributors
Be clear about what cover is provided as standard -	
• it should be made clear to the customer which features are provided as part of the standard policy and which are being sold as an add-on.	All online distributors
• it should be made clear to the customer what level of cover each add-on provides ad cover may differ between providers (e.g. home emergency cover from one insurer could be quite different from that of another insurer). • practice on excess levels identified above.	All online distributors
Customer preferences should be passed from the comparison websites to the provider's site so the customer need not reselect.	All online distributors & software houses

Total price disclosure

Aim: customers should understand the total price of the policy

How to achieve the aim

What	Who
Display the total price of the policy – • all returned quotes should display the total price of the premium. Where a customer opts to pay in instalments, the total price of all instalments – including any APR – should be displayed.	All online distributors
Insurers and brokers should provide comparison websites with all the information needed for them to comply with the good practice around total price disclosure set out above.	Insurers & brokers

Accurate data

Aim: all returned quotes should be based on accurate data about the customer

How to achieve the aim

What	Who
Encourage customers to enter accurate data about their risk -	
• be careful that 'helpful hints' (see Annex B) do not encourage customers to enter inaccurate data to achieve a cheaper quote.	Comparison websites
• make customers aware of the consequences of entering inaccurate data, e.g. through the use of warning triangles.	All online distributors
• require customers to provide answers to every question – default answers should be avoided. - as a minimum, it should be made clear to customers where answers have been defaulted and the defaults should be reasonable.	All online distributors
Be clear where any assumptions have been made about anyone to be covered by the policy -	
• tell the customer early in the buying process what, if any, assumptions you have made about them or anyone to be covered by the policy.	All online distributors
• require customers to explicitly state that any assumptions made are accurate.	All online distributors & software houses

Guaranteed prices

Aim: customers should know how long a quote is valid for

How to achieve the aim

What	Who
All quotes returned should state how long they are valid for.	All online distributors

Policy information

Aim: customers should be able to review key features of their selected policy before they commit to buy

How to achieve the aim

What	Who
Ensure that customers are able to review sufficient information before they make an informed decision to purchase the policy (before the customer is transferred to the selected insurer/broker site) -	
• identify the key features of each policy.	Insurers
• key features information should be displayed on the selected insurer's website before the customer makes a payment.	Insurers & brokers
• provide more detail on key /significant exclusions in order for customers to make informed decisions.	Insurers & brokers

Referrals and signposting

Aim: non-standard customers should be helped to find cover

How to achieve the aim

What	Who
Help customers with non-standard needs to find cover - • where online distributors are unable to provide the customer with a quote, they should point the customer to alternative sources of help. - consider setting up referral arrangements with distributors who provide cover to customers with non-standard needs, or - signpost the customer to other organisations able to help (see Annex A for more information)	All online distributors
Be clear when you may pass customer details onto a third-party - • ask customers to opt in to allowing their details to be passed to a third party. - as a minimum, highlight to the customer that their details can/have been transferred to a third party.	All online distributors

Glossary

Add-ons

Additional coverage to a standard insurance policy. Examples of add-ons include personal accident cover and legal expenses cover.

Excess levels

The contribution a policyholder must pay in the event of a claim against their policy. It has two components:

- **Compulsory excess** – the amount up to which the policyholder has to pay towards the cost of a claim
- **Voluntary excess** – the maximum amount over and above the compulsory excess that the policyholder agrees to pay in the event of a claim.

Non-standard customers

Customers whose circumstances and / or needs make it difficult to obtain insurance.

Annex A

Customers with non-standard circumstances and / or needs sometimes struggle to find suitable cover through mainstream online distributors. Where an insurer, broker or comparison websites is unable to return quotes for a customer, they should aim to point the customer in the direction of someone who can help. Non-standard risks might include:

- High-risk flood areas
- Unspent[2] convictions
- Older customers
- Pre-existing medical conditions

UNLOCK, the National Association of Reformed Offenders, has developed a list of insurers who are able to provide cover to people with unspent convictions: They can be contacted on: Tel: 01634 247350; Website: www.unlock.org.uk

BIBA operates a service which puts customers in touch with suitable brokers. They can be contacted on: Tel: 0870 950 1790; Website: www.biba.org.uk

[2] The Rehabilitation of Offenders Act (1974) sets a time period, based on the sentence given, during which past convictions must be declared to employers or insurers. Until this period passes, the conviction is defined in law as *unspent* .

Annex B

The following are examples of unacceptable helpful hints as they can encourage the customer to purchase the wrong type of policy:

- Highlighting that adding additional drivers can lower the premium
- Encouraging manipulation of occupation or employer's business
- Suggesting that changing where the vehicle is kept overnight can lower the premium
- Encouraging customers to enter lower mileage
- Encouraging customers to switch the main driver (fronting).