

Vulnerable Customers Q&A

- 1. Hi Alan, do you ever think that the cheapness of premiums will be looked at by the FCA. It seems that low premiums are also impacting on vulnerable customers, particularly with online policies that don't provide the guidance and service that paying more for a more comprehensive policy sourced by a broker. Ultimately, you generally get what you pay for, but that is not always considered by many consumers, until they have a claim.**

I do not think the FCA will ever get involved in telling an insurer a premium is too cheap (or expensive) as it is a very dangerous line to cross and could lead to an insurer bankruptcy. The PRA as the other regulator would over rule the FCA on this matter (the PRA get final say on regulation) but this would not happen as the FCA would not want to cross that line. The FCA will continue to take action on dual pricing but that is different as they are not telling the insurer what to charge in the first place. One area I do believe they will get involved in is if the cover gets too low on line to the point where customer detriment is occurring. That is an area they will keep an eye on. I would love to see them making online transactions even more clear.

- 2. In my experience customer vulnerability often arises post sale when things have gone wrong. Sadly, it does seem there are a lot of customers that use the term "vulnerable" as leverage. I suppose the message is make sure you have robust processes in place that have considered vulnerability whether it existed or not.**

Agreed. have those clear processes in place, importantly this must include staff training for ALL staff on vulnerable customers.

- 3. So house and car insurance renewals still play the game of giving you a price and then reducing it significantly for those who have the tolerance to wait for an hour and speak to a consultant! I thought this pricing approach was banned from January 2021?**

My examples were somewhat historic, pre 2021. Whether insurers still do the practice I hope not.

- 4. Really great subject in respect of our multicultural and multi languaged clients. What are your thoughts on a question 'what is your first language?' and then to transfer to a person who speaks that language to ensure total understanding of needs objectives risks etc and product provided?**

Rather than asking directly, I believe that if it is clear that a client is struggling with English or they tell you that English is not their first language, then if you have a member of staff that can speak their language that would be a great client outcome. Clearly not all companies will have staff with those language skills and where they are not available then clear procedures need to be put in place to help those clients.

- 5. How can you protect vulnerable clients when you have this institutionalised pricing logarithm culture?**

Hopefully insurers will be aware of where the regulator is going on vulnerable customers, and the practices I mentioned in the presentation will become a thing of the past. The dual pricing will help in that connection. The reality is that it may still happen particularly on SME commercial, if you see it as brokers bring the insurer into a discussion on it.

- 6. How do we recognise and adapt our wordings and communications, catering for all in order not to discriminate, for example for the young and the elderly?**

All firms should have scripts, or at least guidelines, as to what to do in the event of a member of staff dealing with the different types of vulnerability. I believe all firms have a responsibility to review their communications to take into account vulnerable customers and each firm should be able to demonstrate to the regulator that this course of action has been taken, and what the communications now look like.

7. Alan, is it worth making the point that a customer can be vulnerable at any point in the time line of your relationship with them. It is not just a checkpoint when you first meet them.

Absolutely agree with that comment, we can all become vulnerable at some point, so totally agree.

8. There is huge inconsistency across the whole of financial services in both private (banks etc) and public sector (DWP, Local Govt) in the way 'vulnerable' people are treated. At what point are all vulnerable - particularly in the pandemic - processes seem much more elongated for vulnerable people - huge forms etc ? Is there any joined up thinking on this across the whole piece?

The regulator has issued guidelines across the sector but the reality is that it is a principle based approach to regulation, which leaves a lot of onus on firms to create their own journey. To be honest certain firms have behaved in an unacceptable manner during the pandemic. Banks (some not all!) have in some cases provided dreadful service to the vulnerable still citing Covid-19 after nearly two years as a reason to leave a vulnerable customer on the phone for more than an hour, just because they cannot use the internet, and after that wait they then get told to go to Branch, but as they took the opportunity to close branches during the pandemic the vulnerable have to take a long trip into a city and stand in a long queue, basically punishing them for not going online. I so hope the regulator calls out these firms.

9. What form of Management Information would be suitable?

Claims ratio is useful as it shows a policy is paying out claims, if the claims ratio on a product is very low the regulator will call into question whether it is fit for purpose. Churn log is another useful measure, how many customers are cancelling after taking out a product. Performance against customer service levels is also a good measure and by percentage, a comparison of claims made against claims paid for a product.

10. Do you think where firms have had to tighten their belts and possibly even cut staff over the pandemic, plus with the pricing reforms coming in and firms now looking very closely about how they can make a profit there is a risk that consumers could suffer more harm, as say perhaps resources are cut back to help people that might be vulnerable?

Hopefully that will not occur. Vulnerable customers are also often very loyal customers so I hope that the insurance sector will see the value in looking after these customers. There is a risk more firms will move online non advised only, let's just hope the advice giving brokers fill any gaps left.

11. Part of the challenge when meeting a potential client will be how to broach the subject of vulnerability without making the client feel awkward or belittling them. Given that a lot of vulnerabilities are invisible. Do you have any recommendations as to how this conversation could be positioned?

For me training staff and having clear protocols are the keys. You are right not ever vulnerability is obvious so train staff in what to look for (ALL staff) and ensure they know what to do when vulnerability is observed.

12. How would treat the VC customer who is suspected in committing claims fraud?

The law will require all firms to have correct anti fraud procedures in place and that must apply to all customers including the vulnerable. A firm would not normally tell a person they suspected them of fraud until good evidence is found and that would not change for vulnerable customers, clearly careful questioning would need to take place, but if fraud is happening it must be dealt with whatever the type of customer, just tread carefully.

13. What are your views on labelling a customer as 'vulnerable' and recording data about a vulnerability, so that a claims system for instance can make others aware of the vulnerability. Is the customer's consent needed to record this?

Do have a clear company protocol on this. Bear in mind a customer can request data held on them so think about the language used on the system, but having said this given you are doing this for all the right reasons, having some form of agreed marker on the system would be a customer benefit for sure as it will aid the customer relationship going forward. A fine line has to be drawn by each firm on how much specific detail they want to record on vulnerability, particularly when the firm has observed a vulnerability, but sometimes it may not be tactful to mention to the client that they have observed it, for example the customer is often drunk. Discuss and agree protocols but do not let the DPA become a barrier to helping the vulnerable, the DPA was never created to be a barrier.