



Society of
Insurance
Broking
Standards, Professionalism, Trust.

Good Practice Guide

September 2018

Vulnerable Customers for Brokers

Introduction	2
Good Practice	4
Conclusion	5
Appendix - Primary Source Material	6

This paper is in response to members' requests to provide a summary of good practice within one source document and is based upon the Society of Insurance Broking's understanding of the regulator's rules and current stance. Whilst a summary, it is not intended to be exhaustive and should not be relied upon at the exclusion of other sources of information.

Introduction

Why brokers should respond to vulnerability

The Financial Conduct Authority (FCA) recently announced they will consult on guidance for vulnerable customers in early 2019. This follows a report published in 2017 by the Chartered Insurance Institute's Underwriting Faculty New Generation Group identifying that the insurance industry needed to do more to accommodate vulnerable customers. Andrew Bailey, CEO of the FCA, said, "this guidance will give us a basis to monitor and assess firm practices, supporting the work we do through both supervisory and enforcement channels, allowing us to take appropriate action when necessary".

Insurance is largely concerned with protecting those who find themselves in a vulnerable circumstance. However, if a client already has personal circumstances unrelated or impaired by an insurance claim then this may complicate the issue. In order to maintain a healthy relationship with a client, it is important for brokers to recognise if their client has mitigating circumstances or is in a position where extra support is required. Now that the FCA are examining these issues more closely it is possible that regulated standards may apply in the near future.

Recognising vulnerability

The Financial Conduct Authority (FCA) describes a vulnerable customer as, "someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care". Vulnerability can be either a temporary or permanent state, meaning that just because a client may seem stable now doesn't mean they always will be.

There are just as many definitions of vulnerability as there are examples. The CII's New Generation Group summarised vulnerability and the need to recognise it as follows:

"Vulnerability can come in a range of guises, and can be temporary, sporadic or permanent in nature. It is a fluid state that needs a flexible, tailored response from firms. Many people in vulnerable situations would not consider themselves as 'vulnerable'. During the claims process, it could be argued that all customers are in a vulnerable circumstance, however if they have any pre-existing vulnerabilities then this can be exacerbated."

Identifying vulnerable customers can be subjective as everybody deals with their circumstances differently. But risk factors that can be flagged as being potentially vulnerable include:

- elderly clients
- disabled clients
- clients with mental health issues
- clients with poor literacy, numeracy or computer skills
- clients providing care
- clients diagnosed with a long-term or chronic illness
- clients experiencing a sudden change in circumstance (eg job loss, bereavement, divorce)

The reasons why vulnerable clients may need more assistance than others are outlined by the European Commission¹ as follows:

"A consumer, who as a result of socio-demographic characteristics, behavioural characteristics, personal situation, or market environment:

- Is at higher risk of experiencing negative market outcomes;
- Has limited ability to maximise his/her well-being;
- Has difficulty in obtaining or assimilating information;
- Is less able to buy, choose or access suitable products; or
- Is more susceptible to certain market practices."

Bearing this in mind, it is likely that customers in certain vulnerable groups will struggle to cope with aspects of taking out insurance. However, if these issues are identified early on then brokers will not only be able to deal with their clients more effectively, but also improve customer relations.

¹ https://ec.europa.eu/info/sites/info/files/consumer_-_vulnerability-exec-sum_en.pdf

Handling vulnerability

Whilst it is possible to identify different types of vulnerable customer, this does not mean there should be a 'tick box' categorisation method in how they are dealt with. Everyone's needs are different and a 'one size fits all' approach is not only ineffective but inappropriate. Brokers need to be more flexible in the ways they handle their clients, recognising any unique needs and how to accommodate them.

Vulnerability isn't just concerned with how a customer understands or copes with the products they have but also about what products they are eligible for, eg:

- customers with cancer may struggle purchasing travel insurance
- customers with pre-existing conditions (eg HIV) may struggle purchasing health insurance
- customers with low credit ratings (eg ex-military personnel) may struggle with home insurance.

If a client has a specific need or personal circumstance that effects an insurance product they require, it is important to identify that circumstance so that you can recommend a product that is suitable. Not all clients will identify as vulnerable themselves. Therefore a broker cannot rely that they will automatically be informed of any such issues by their client. Brokers must be proactive and use their best judgment to identify any particular needs themselves. This also applies if a client's personal situation deteriorates over time even if there were no issues when they first took out a policy. Appropriate training should be given to brokers to not only recognise vulnerability but also how to be flexible enough to customise their approach to a client's needs.

The New Generation Group report outlined seven key recommendations for insurers to implement:

- Vulnerability should be sensitively recorded on a customer's profile if flagged by any of the customer's interactions with the insurer, and be regularly reviewed for relevance;
- Charities should be consulted and in some cases partnered with in all aspects, from product development and underwriting, to claims handling and training;
- Customers should be signposted to more suitable insurance services if an insurer believes they cannot provide adequate assistance;
- Insurance companies should ensure support is offered to a vulnerable customer so they can effectively interact and insurers deliver on their promised service;
- Specific training should be mandatory - there are currently many available learning modules and programmes that have been developed by charities and organisations that can be used;
- Insurance companies should mimic successful initiatives developed outside of the profession - in particular energy firms, which have gone a long way to formalising their approach; and
- Existing guidelines have been developed by companies and industry bodies - insurers should read, use and adopt them.

There are also occasions where brokers have to deliver bad news (eg a rejected claim, a voided policy or an increase in premium). Whilst no one likes hearing bad news it can be a particularly sensitive issue for those whose reaction may be misunderstood or amplified. As well as communicating in a clear and concise way, brokers must also use their best judgment in how to deliver disappointing news in ways that respect the sensitive nature of their client's circumstances. This applies not just to the format of the delivery but also the phrasing within it.

Creating a culture of fair treatment

The key aim of recognising a vulnerable customer is so that a broker can provide the best possible service rather than selling them a policy that they might misunderstand, struggle to maintain or not be able to afford on a long-term basis. Accessibility to products matters.

Even if a client is happy with their product they should also be able easily access information and/or updates about it at any time. There should be a range of effective communication channels that a client can choose from that best suits them so that they have easy access to support. Not every client is eligible for every product. That is why it is important that brokers can clarify if a vulnerable client understands the terms and conditions of any agreement.

Poor claims handling will not only frustrate a client but could also result in them being awarded damages if it is discovered that they were either misled or mis-sold an insurance policy. Trust is one of the key areas that clients feel they lack with their insurer and vulnerable customers are no exception. Products should not be too rigid in how they are written or sold. As some may struggle to access information or understand it when presented to them, it is your responsibility to offer a range of options where they can access information that is easy to understand.

Good Practice

1. Treat clients as individuals

No two clients are the same and shouldn't be treated as such. Just because some vulnerable customers may have similar circumstances doesn't automatically mean they should all be handled in the same way.

Ways in which you can customise your approach include the following:

- Answer queries personally or contain enough flexibility, rather than relying on automated responses;
- Tailor information presented to individual requirements rather than 'info-dumping';
- Use plain English. Avoid unnecessary complex information and technical jargon;
- Record communication and service needs accurately in line with the GDPR;
- Review any relevant circumstances during the course of the application in a sensitive manner; and
- Keep up to date with any newly released public awareness information surrounding disabilities, mental health, financial hardship, etc.

There is no one absolute right way to treat a client, however there are plenty of wrong ways. Customers should not need to tell firms about their circumstances or characteristics more than once. Whilst things may change it is also important for you to keep on top of monitoring any further developments too, but in a way that doesn't contradict any existing information. Make sure that you have enough resources available to understand your client's current and future needs.

2. Learn more about vulnerability through a charity

Some insurers have already partnered with charities so that they can better understand how to work in the interests of their clients better as well as how to get around the restrictions some automated products have. For example, a mobility charity may help you understand the unique needs a disabled client may have regarding insuring their vehicle or home, or a cancer charity could help you understand how to insure pre-existing conditions if a client with a diagnosis wants to purchase travel insurance.

A charity can help you understand the range of needs a vulnerable customer may have as well as identifying areas that may be excluded from most general insurance policies. This will help you to be prepared with what to look out for and what not to miss when trying to tailor coverage for your client. They may be able to help you with your own specific good practice guidelines around particular vulnerable areas. Alternatively, they may be able to provide you and other staff members with training on etiquette, using customer feedback to improve services and advice on making sure products are accessible.

3. Provide a diverse range of products and services

Products offered should reflect the people that require them. This means that as well as providing a range of options they should also be accessible. If a client has certain requirements then they are more likely to want to communicate directly through a broker and therefore should not be penalised through a digital exclusion. Whilst websites are a handy tool for providing comprehensive information, there should also be other options available too.

- Provide a range of contact options (eg in-branch visits, useful telephone support, web chat, interpreting services, etc);
- Be accommodating with your schedule if your client's availability is restricted due to transportation, medication timings, presence of a carer, etc. Also make sure that your office space is equipped with enough space and access to meet your clients in a space that they are comfortable in;
- Be aware of types of exclusion and if they are still relevant;
- Allow friends and family to support your client and involve them in any discussions if requested;
- Keep other members of staff up to date with any pieces of relevant information for training purposes; and
- Prioritise situations where client mistakes are predictable and problematic so that you can give more time to those clients who need it.

If you find that you're not able to provide a product that is suitable for your client then suggest an alternative. You need to put your client first and act in their best interests. In the case of a vulnerable customer it is important that you don't pass them off with a product that does not meet their needs, or that they don't understand, otherwise this could be seen as you misselling a product.

You should also be extra vigilant in identifying potential issues of abuse and fraud affecting your client. Vulnerable customers may be able to purchase an insurance policy may not be able to recognise if they are being taken advantage of. Implementing scam protection will improve trust as they will feel protected.

4. Evaluate your processes

Rolling out a new initiative doesn't always mean you'll get it right first time or that it will always be relevant. By keeping up to date with information from relevant charities, customer feedback and setting your own objectives, you will be able to measure how you're doing against what people need.

Set periodic reviews so that you can monitor your progress and if you're meeting the needs of your vulnerable clients, asking yourself the following questions:

- Are you identifying vulnerable clients effectively?
- Are there any gaps in your training?
- Are your methods of engagement still accessible?
- Do you have enough options in place for providing appropriate advice or alternatives?
- Do you have an effective strategy in place?

By constantly re-evaluating your approach you will be able to identify any areas where you fall behind without it being pointed out to you, either by a customer complaint or a breach of fair treatment.

Conclusion

Improving services for vulnerable customers has been discussed for several years with an increasing number of companies making progressive changes. As the insurance industry is looking to diversify its services it also needs to take the needs of those less capable into account too. Now that the FCA are making definite steps to consult on the matter it is inevitable that more inclusive regulations will be passed.

From the perspective of improving public trust, brokers should already be improving their services so that they are accessible to everyone. By already catering to vulnerable customers, brokers will not only be prepared in advance for any future changes but also be seen as providing a better service.

The classification of vulnerable customers is also non-rigid and ever changing. As the ageing population increases, better products and services will need to be created for the unique needs of those living beyond their 80s. Not all elderly clients are vulnerable or immobile, however accessibility and understanding may still be an issue, especially with ever-changing technology. Insurance products also need to be more inclusive for those experiencing vulnerable moments in their lives, eg parenthood, divorce, retirement, etc.

Brokers need to identify if their products and services are accessible. By reviewing their means of engagement they will be able to identify any weak areas that make it difficult for a vulnerable customer to use them. Rather than waiting for regulatory changes, brokers need to start creating their own vulnerable client policy so that, not only will they already be compliant, but also seen as delivering a duty of care to those that need it.

Appendix – Primary Source Material

Chartered Insurance Institute

Date	Name	Summary	Link
January 2017	Consumer Vulnerability - how well is insurance responding	New Generation group produce best practice guidance for dealing with vulnerable customers.	http://www.cii.co.uk/knowledge/underwriting/articles/consumer-vulnerability-how-well-is-insurance-responding/44129

European Commission

Date	Name	Summary	Link
January 2016	Consumer vulnerability across key markets in the European Union	Consumer vulnerability identified as a key concern.	https://ec.europa.eu/info/sites/info/files/consumer_vulnerability-exec-sum_en.pdf

Financial Conduct Authority

Date	Name	Summary	Link
December 2014	Vulnerability exposed	The consumer experience of vulnerability in financial services.	https://www.fca.org.uk/publication/research/vulnerability-exposed-research.pdf
February 2015	Occasional Paper No. 8	Consumer vulnerability.	https://www.fca.org.uk/publications/occasional-papers/occasional-paper-no-8-consumer-vulnerability
July 2018	Our Approach to Consumers	Discussion with stakeholders on approach to regulating for retail consumers.	https://www.fca.org.uk/publications/corporate-documents/approach-consumers

