

Insurance claims handling process

IF4 2015 edition

Web update 1: 20 November 2015

Please note the following updates (amendments in bold type) to your copy of the 2015 edition of the IF4: Insurance claims handling process study text:

Chapter 1, section B, page 1/3

Add the following at the end of the section:

B1 Unfair or hidden terms and conditions

Currently, the core terms and conditions of insurance contracts, such as exclusions, cannot be challenged on the grounds of fairness; this default position will remain unchanged under the Consumer Rights Act 2015, which came into force on 1 October 2015. However, the Act does state that if a term of a contract is not transparent or prominent, it can be assessed for unfairness. A term is:

- transparent, if it is expressed in plain and intelligible language; and
- prominent, if it is brought to the consumer's attention in such a way that an average consumer would be aware of it.

The Act defines an average consumer as one who is 'reasonably well informed, observant and circumspect'.

To avoid challenges for unfairness, insurers will need to ensure that the significant terms included in their insurance contracts with consumers meet the rules on transparency and are communicated in a prominent fashion. If a contract term is deemed unfair it will not be binding, although consumers are still within their rights to rely on a term if they wish to do so.

These rules cover both the consumer contract (the policy itself) and notices, such as renewal invitations and customer promotions. We will consider the effects of the Act with regards to claims handling in chapter 3.

Chapter 3, section H2, page 3/11

Add the following at the end of the section:

Be aware

In chapter 1 we noted the Consumer Rights Act 2015, which came into force on 1 October 2015. Although the Act brings in a number of provisions with regards to the supply of services, FCA rules on the claims handling process will prevail in most cases.

The main impact for claims handlers are the requirements in the Act to ensure that any policy exclusions are clearly identifiable and understandable to the average consumer, and not hidden away in policy documents.

The Act also has a requirement to 'perform a service within a reasonable time'. This legislation adds another dimension for insurers to consider, in addition to the ICOBS requirement that claims should be managed 'promptly'.

