

Consumer Vulnerability – How well is insurance responding?

Chartered Insurance Institute Underwriting Faculty New Generation Group



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New
Generation
Group



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IN PEOPLE** | Gold

All authors named contributed to this report in their own personal capacity. The views expressed are their own and do not necessarily represent the views of their respective employers or the Chartered Insurance Institute

3 Welcome

This report represents the thoughts and ideas of the members of the Chartered Insurance Institute's Underwriting Faculty New Generation Group 2015 who were challenged to identify a project of their own choosing that they felt could help drive change in the insurance profession for the ultimate good of customers.

The issue of consumer vulnerability is one that has been brought into sharp focus in recent years, partly driven by the regulator, the Financial Conduct Authority, and I was delighted when they alighted upon this subject as part of their challenge "to make a difference". It is only by tackling the real risks that customers face that the insurance profession can insure it is relevant in the future and that it is doing what it has done for centuries – which is support and facilitate the development of individuals and businesses by taking imaginative approaches to covering risk and providing protection.

Over the past 18 months the group have researched the issue of consumer vulnerability – from the size of the issue, the definition of vulnerability through to best practice by insurers and within other sectors where the same or similar issues have also been or are being addressed.

Throughout the report, whilst there are examples of excellent existing practice by insurers, there are also examples of where insurers have not adjusted normal procedures, causing distress to vulnerable consumers and resulting in unnecessary delays. As the group point out, whilst certain processes may not be unreasonable in principle, those in vulnerable circumstances may find that these processes cause additional distress and result in unnecessary delays in claims settlement. Yes, insurance is a process driven industry – but that doesn't mean those processes cannot be adjusted to bring in more flexibility.

This report is certainly not one that should be just read and put on the shelf – it should be viewed as a working document that all insurers – and brokers for that matter - can use as a check list to review their own approaches or as discussion document to reflect on where they can and should make changes.

Ant Gould
Director of Faculties



4 New Generation Underwriting Group

The Chartered Insurance Institute is the leading professional body for insurance and financial services which aims to promote higher standards of integrity, technical competence and business capability across the industry.

The annual CII New Generation Group programme takes about 40 CII members representing broking, claims, underwriting and the London Market and tasks them with challenging and improving current practices within their sector, and making a positive impact on the insurance profession as a whole. The year long programme is designed to develop leadership skills and complement and strengthen each member's professional development and market awareness and as part of the programme each faculty group is challenged to identify a project of their own choosing that they felt could help drive change in the insurance profession for the ultimate good of customers.

The Underwriting Faculty New Generation Group 2105 chose to examine the important issue of customer vulnerability within the UK and its implications for the insurance market. This report presents the results and conclusions of their endeavours as a group of future leaders. They do not necessarily represent the views of the wider CII.

Any query regarding the CII's New Generation initiative can be discussed with Ant Gould, Director of Faculties, CII (email: ant.gould@ci.co.uk).

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5 Introduction

What is vulnerability?

The Financial Conduct Authority (FCA) describes a vulnerable consumer 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. OfGem, the energy regulator in the UK, identifies vulnerability as “when a consumer’s personal circumstances and characteristics combine with aspects of the market to create situations where he or she is: significantly less able than a typical consumer to protect or represent his or her interests ... and/or significantly more likely that a typical customer to suffer detriment, or that detriment is likely to be more substantial.”

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.

Why does this matter in insurance?

Insurance protects against financial shocks – which can be a particularly acute need for people in vulnerable circumstances. Through our research we found individuals in vulnerable situations who expressed frustration following their experience with insurers and the way the market operates. The insurance industry could be doing more to service the insurance needs of vulnerable people. It is important to remember that treating these customers fairly makes good commercial sense for insurers.

Purpose of this paper

Our research sought to build on the work that the FCA has done through providing an insurance specific view of this important issue. This aims of this paper are to:

- Broaden understanding and stimulate interest and debate within the insurance industry;
- Raise standards through providing guidance to insurers;
- Identify examples of good implementation of policies and strategies that cater for vulnerable consumers; and
- Encourage insurers to establish links with charities and consumer advice organisations.

Through our research we looked for examples of good practice within the insurance industry. We found examples of insurers partnering with charities to offer suitable and affordable products for disabled customers, Codes of Practice to help vulnerable consumers at renewal, the development of a Charter to improve the customer experience for those living with dementia, and pricing philosophies that seek to protect disabled customers from large increases in premium. We were also encouraged that, according to one charity, finding travel insurance is getting easier for those who have had cancer as many insurance companies are now looking at cases individually rather than simply refusing insurance. However, we also found many examples of inadequate processes and poor customer outcomes for vulnerable consumers.

“When a consumer’s personal circumstances & characteristics combine with aspects of the market to create situations where he or she is significantly less able than a typical consumer to protect or represent his or her interests ... and/or significantly more likely ...to suffer detriment, or that detriment is likely to be more substantial.”
(OfGem, 2013)

6 Executive Summary

In February 2015, the Financial Conduct Authority (FCA) released an Occasional Paper on the issue of consumer vulnerability. While the report recognised that there were some examples of good practice in the industry, the research also showed that many consumers in vulnerable circumstances were not receiving fair treatment from their financial services providers.

Large proportions of the population can be vulnerable at any one time and this vulnerability can come in many forms. For example, a disability or a low level of literacy, bereavement or having treatment for cancer can all put a consumer in a vulnerable situation. An insurance company's current and prospective customer base will strongly feature these individuals and therefore vulnerability cannot be ignored.

The issues

Our research found that insurance companies deal with vulnerability inconsistently across the industry, and even across their own internal functions. Often the problems were as a result of general poor customer service, where the negative impact was exacerbated due to the individual's vulnerability. Our review identified problems at the following stages:

- **Suitability of products** – Accessibility to products and the suitability of these products once accessed were key areas of frustration for people in vulnerable circumstances.
- **Pricing** – Pricing can unintentionally penalise a vulnerable individual and explanations can focus on an impersonal approach rather than a transparent explanation of the view the insurer has taken.
- **Purchasing journey** – The channels to buy insurance have evolved, yet these have not always been critiqued with a vulnerable customer in mind to ensure accessibility to their insurance needs is maintained.
- **Policy information** – Vulnerable customers may find it more problematic to understand the product they are buying yet some insurers fail to address these difficulties.
- **Making a claim** – Case studies identified numerous cases of poor communication, unexpected interpretation of wordings at claim stage and rigid processes that negatively impact vulnerable customers.

“Many consumers in vulnerable circumstances are not receiving fair treatment from their financial services providers.”

FCA, 2015

“Insurance companies deal with vulnerability inconsistently across the industry, and even across their own internal functions.”

7 Executive Summary Continued

Our seven key recommendations:

Insurance companies should review and make changes where necessary to accommodate the needs of the customers identified in this report. This should be done in the interests of the premium these customers can deliver to the company, to protect the reputation of the organisation and to anticipate increased regulatory intervention in this area. We recommend that:

- 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 the adequate assistance.
- Insurance companies should ensure support is offered to a vulnerable customer so they can effectively interact and insurers can 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 industry – in particular energy firms, which have gone a long way to formalising their approach.
- Existing guidelines have been developed by companies and industry bodies – insurers should read, use and adopt them.

8 Why is it a major issue?

Ageing

Innovations in science and technology, especially medicine, over the past century have drastically increased life expectancy, leading to an ageing population, with over **11.4 million (18%) aged 65 and over**. The UK population is projected to continue ageing over the next few decades with the fastest population increases in the 85 and over group

- **69% of people aged 85 and over** in the UK have a disability or limiting longstanding illness.
- Dementia is one of the main causes of disability in later life, ahead of some cancers, cardiovascular disease and stroke. **Dementia currently affects 1 in 6 individuals over the age of 80** with this expected to double in the next 20 years.
- As this proportion of the population increases, there are likely to be more people with these conditions, making this an area of concern.

This has an implication for age restricted insurance products. There is limited protection in place through the “Signposting” Agreement 2012, which requires all Association of British Insurers (ABI) members, who do not provide insurance because they apply age restrictions, to “signpost” customers to an alternative appropriate provider, who will offer a product regardless of age.

Computer literacy and access

40% of individuals aged 65 and over have never been online. The older generation is potentially more vulnerable because of the increasing trend of services to move online – especially as some of the cheapest insurance prices are found on price comparison websites. This proportion will reduce as the ‘internet-savvy’ generation age. Of the 7.1 million adults in the UK that had not used the internet in May 2013, over half were disabled, increasing the vulnerability of this cohort too.

Low literacy, numeracy and financial capability skills

According to a government survey conducted in 2011, approximately **8 million** working age adults have 'below-functional' numeracy skills and about **5 million** have 'below-functional' literacy skills in England. This means they have numeracy skills that are equivalent to the level expected of nine year olds and literacy skills that are equivalent to the level expected of children aged 11 and under.

For some there is a gap in basic financial skills that impacts on their ability to manage and plan with their money. The Money Advice Service found that **16% of people cannot review a sample bank statement and correctly identify the balance**. This has implications for insurers and the expectation that policyholders will understand what they are buying and their policy documentation.

Mental health

1 in 4 individuals are now expected to experience mental health problems in a given year. A mental illness may be a long term condition or may be transient; it is likely to be worsened during periods of stress which would include the circumstances leading up to an insurance claim.

There are **600,000 deaths** every year in the UK, all of which potentially leave someone dealing with the consequences of bereavement. There are over **100,000 divorces** in England and Wales every year, which may be combined with a reduction in income and may also leave one party more vulnerable if they have previously not been responsible for financial transactions.

“69% of people aged 85 and over in the UK have a disability or limiting longstanding illness”

“Insurance companies should review and make changes ... in the interests of the premium these customers can deliver to the company, to protect the reputation of the organisation and to anticipate increased regulatory concerns in this area.”

9 Why is it a major issue? Continued

Providing care

1 in every 10 people in the UK was providing unpaid care in 2011. The number of people providing unpaid care is likely to increase with the ageing population. It is currently estimated that **3 in 5** people will be a carer at some point in their lives.

The number of people applying for power of attorney is increasing, with more than **one million** registered with the Office of the Public Guardian.

The implications for insurance include provision of carer's insurance, financial advice and the understanding of power of attorney.

Disability

There are **12.9 million disabled people** in the UK who are likely to need special features in the insurances that are offered to them, as well as additional care and understanding of their situation at the time of claim.

The lifetime risk of being diagnosed with cancer has increased from **33% to 50%** for individuals born after 1960. In General Insurance, this poses a particular challenge for travel insurance where exclusions are commonly applied for illnesses.

Two million people in the UK are living with sight loss. There are approximately **10 million people** in the UK with a hearing loss. These people need additional support in their interactions with insurers at all stages.

In 2011, there were estimated to be over **one million people** with a learning disability which makes this cohort a significant customer group. Reduced intellectual ability may make it difficult for customers to understand complicated policy information and to work out what is being offered. These customers may need support, further explanations and the opportunity for more discussions.

Vulnerability is not a minority issue and, with the ageing population, is only likely to affect more individuals. It is crucial therefore that the insurance industry reacts to this and brings in strategies to provide appropriate training for their employees so that we can support this section of the population during what is already a difficult time.

“It is currently estimated that 3 in 5 people will be carers at some point in their lives.”

10 The issues

- 1 Suitability of products
- 2 Pricing
- 3 Purchasing journey
- 4 Policy information
- 5 Making a claim

How do insurers deal with vulnerable consumers?

The FCA report highlighted that while there are numerous good practice guides in place, with no deliberate intention to disadvantage vulnerable customers, what is offered is often for the 'ideal' customer and lacks the response to the diverse reality.

We surveyed 23 charities and consumer groups on the issue of insurance and consumer vulnerability. The results showed that the insurance industry could be doing more to address the needs of vulnerable consumers.

- 52% felt that the people they represent are inherently vulnerable to unfair treatment.
- Generally, charities did not think that general insurers consider the needs of the people they represent.
- Respondents agree that general insurers need to improve in their interactions with vulnerable people, with around 70 to 80% agreeing a need to improve across each of the areas we asked them to consider.

Respondents also felt that vulnerable consumers who cannot use a standard voice telephone or who have difficulties accessing websites were put at a disadvantage when arranging insurance, making a claim or making a complaint. Our survey also highlighted that vulnerable people often receive policy documents and other correspondence in formats that are inaccessible.

Cases were reported where customers had been incorrectly told by one or more insurers that they would not be considered for cover by any insurer. As a result many gave up searching on the assumption that this would be their experience across the sector and because they found the process too emotionally and physically exhausting, particularly in view of their health situation.

Other responses included examples of miss-selling products, insurers not clearly explaining the terms of cover, and cases where all of the necessary questions were not asked by the insurer but a claim was denied on the grounds of non-disclosure. There were also concerns raised around vulnerable people receiving sub-standard customer service, including a lack of sensitivity to their vulnerability and a 'computer says no' approach.

The FCA's key expectations are summarised in the table below:

| FCA requirement | Evidence within firms |
|--|--|
| Have appropriate policies in place to identify consumers in vulnerable circumstances | A consistent approach across individual businesses |
| | Proactively seeking to identify vulnerability |
| Have policies in place to approach consumers in vulnerable circumstances in a sensitive and flexible way | Vulnerability is factored into product design, marketing and service provision |
| | Firms are adaptive and empathetic |
| | Staff are adequately trained to implement policy |
| Be as transparent as possible in their dealings with consumers in vulnerable circumstances | Firm's policies are clear to consumers and consumer organisations |

11 The issues Continued

1. Suitability of products

Our research found that accessibility to products was a key area of frustration for many people in vulnerable circumstances. Research conducted for the charity Scope found half a million disabled people who are unable to get insurance who attribute this directly to their disability. As well as meaning that they cannot access cover, this can have a detrimental impact on their emotional and psychological wellbeing.

The insurance market has schemes set up to support those with vulnerabilities especially physical disabilities; however standard general insurance policies should be able to accommodate vulnerabilities. It may be perceived by insurers that vulnerabilities are minority issues, however the numbers suggest that a significant proportion of the population is actually impacted.

Standard insurance policies should be designed to be adaptable to a customer's requirements including those with vulnerabilities. For example, if a customer holds oxygen tanks due to a health reason, a home insurance policy should be adaptable to accept this circumstance. In a Citizens' Advice Bureau (CAB) example, a policyholder had made it clear that he would require an adapted courtesy car if his car was out of action, however the insurer did not accommodate this at the claim stage, which caused the policyholder further inconvenience. Feedback from cancer charities suggest that there can be a blanket approach to those who have suffered from cancer, where being in remission and increased survivor rates are not taken into consideration.

Motor insurance is a common area of complaint and commentators generally feel that travel insurance is the 'trouble product' when vulnerability is linked to a medical condition. There is an argument that if a condition is not ongoing it should not impact the product however travel policies often include specific exclusions for pre-existing conditions.

"A disabled man required a courtesy car following an accident, a provision included in the policy. He required a car with a left-pedal accelerator, something he insisted he had informed his insurer. The insurer instead provided him £10 per day compensation which was not enough to cover public transport costs to work, and was made more difficult as he now had to walk distances which were more difficult due to his disability. He had a similar experience with the insurer before for a previous accident, and had confirmed this requirement before his renewal the previous year. He was not informed at this point the inability to provide a courtesy car for this or offered a discount on premium for this lack in coverage."

Citizens' Advice Bureau case study

Advice on the Cancer UK website is more positive: "finding travel insurance is getting easier... fortunately, many insurance companies are now looking at cases individually rather than refusing to insure everyone who has had cancer". Cancer UK also reference specialist policies and suggest that individuals should go through the British Insurance Brokers' Association (BIBA) to find an appropriate broker.

Some insurers are actively taking the needs of vulnerable consumers into consideration in the way they do business. For example, Ecclesiastical worked with Scope to trial an insurance product specifically designed for disabled people with cover for home adaptations and specialist equipment included as standard.

"Research conducted for the charity Scope found there are half a million disabled people that are unable to get insurance who attribute this directly to their disability."

12 The issues Continued

2. Pricing

Many types of vulnerability are not explicitly priced differently as insurers have standard questions, but rating factors could be used to infer 'vulnerability'. It is doubtful an organisation would be able to or want to build this into pricing calculations. Despite this, 22% of disabled people felt they paid more for insurance. Indirectly this could be the case – a modified vehicle attracts a higher price even if it is for a relatively low in cost item, for example.

While a costly modification would increase the level of indemnity spend, there may be lower risks associated with such a vehicle due to the vehicle being more suited to the individual's own needs and requirements. There may be an increased risk for a piece of medical equipment in the home, but this may indicate a higher level of occupancy of the property leading to lower risk of theft and fire. We did find that in some instances if a modification to a house is still under the limit of indemnity or single article limit, this will not impact the pricing of the quote as the information will not be requested by the insurer.

There are examples of insurers who consider this unintended consequence in their pricing and actively believe this cohort of customers should not be experiencing premium increases due to their vulnerability. LV, for example, has a pricing philosophy in place whereby the policy price is not increased due to a customer's car being modified to accommodate their disability.

"I have a ball on the steering wheel costing £25...every single insurance company tried to charge me more because my car is adapted. I phoned one of them and demanded why they wanted to charge me £££s more, they said it was to cover the cost of repairing the adaptation."

CII Think piece no 115 (April 2015) – Disabilities and Access to Insurance

During our research, we found examples of successful schemes where a charity has partnered with an insurer in order to leverage collective purchasing power and to work around the restrictions of automated products that cause these issues. RSA, for example, have a long-standing partnership with Motability, a charity, to provide insurance protection for all cars leased through a scheme that provides an affordable way for people with disabilities to lease a car, scooter or powered wheelchair.

"A customer called their insurer to notify them that they may struggle to meet the premium as they've just been made redundant. The insurer responds by increasing their premium as they are unemployed."

Citizens Advice Bureau case study

'Dual pricing' by some insurers remains an industry bugbear. This is the practice whereby new customers are offered lower prices than those renewing. The ABI has urged the FCA to provide new regulation around this issue. A general lack of transparency exists between new business and renewal rates – any vulnerability here may exacerbate this existing issue. For example, elderly customers are often more prone to inertia and may not shop around for more competitive offerings and as a result, they may experience higher average premiums. Their vulnerability is not centred purely on age but around their activity in the insurance market, and understanding and clarity on their current insurance premium.

The ABI and BIBA have produced a Code of Good Practice to help vulnerable motor and household consumers at renewal. This guidance focused on insurers making sure that customers are not left on legacy products, checking that policyholders needs are still being met by these products and that they are aware of the options available to them.

“‘Dual pricing’ by some insurers remains an industry bugbear. This is the practice whereby new customers are offered lower quotes than those renewing. The ABI has urged the FCA to provide new regulation around this issue.”

13 The issues Continued

3. Purchasing journey

The ways that customers purchase insurance have changed from predominantly face to face interaction with a local broker, to directly with the insurer, bank, building society, retailer or other affinity and through price comparison websites. In 2012, 81% of businesses used a broker. By 2015 this had reduced to 67% of all policies. The increasing direct interaction with insurance companies without the use of a trusted intermediary could expose those in vulnerable circumstances to detriment.

“A woman’s claim on her travel insurance was refused because she failed to declare a pre-existing medical condition. The holiday was arranged at short notice and she did not read the policy definition of a pre-existing condition. The company conducted a medical screening over the phone but she was not told the definition of a pre-existing condition. She declared those conditions for which she was currently being treated and was charged a supplement. She now owed over £10,000 to a private Spanish hospital and a relative who flew out to accompany her home after a suspected heart attack. After a complaintthe company made a 42% offer. The CAB adviser felt this situation could have been avoided if the medical screening over the phone had included a definition of ‘pre-existing medical condition’.”

“A man with a learning disability had contents insurance with a bank. In July 2013, he knocked over a candle in his home and damaged the carpet. He went into the local bank branch to make a claim on his policy and instead of helping him the bank sold him a new insurance policy and told him to come back and make a claim in three months’ time. The man followed this advice only to be told that as the accident happened before the insurance policy was taken out, he was not covered.”

Citizens’ Advice Bureau case studies

There are further examples where an intermediary has issued a policy, only for the customer to find the insurance invalid as it was incorrectly sold to them. There is regulation to protect against this, however where it is failing, it is not only failing vulnerable customers but all customers.

There is an increasing bias towards purchasing via the internet. In 2014 a third of all motor policies were purchased through a price comparison website. These sites rely heavily on the ease of the customer journey. In order to do so, they require an assumption on the level of uniformity of the customers that present themselves to the site. However, these sites are not able to take the individual characteristics of more vulnerable customers into consideration.

As more and more business is transacted online by both the consumer and intermediaries, it is becoming more important that the policy wordings are better communicated and provided in a variety of formats from standard wordings to large text, braille or verbal. Insurers should also offer the ability for an explanation of sections of the wordings, as well as the standard help line. This could be through additional explanations within the policy wording, interactive website or video instructions.

The purpose of accessibility should not be about ensuring that each insurer and intermediary offers all consumers a suitable access point to their products, but ensuring that the market is designed so that there are enough insurers and intermediaries operating in each segment and making certain that these consumer segments have access to the information required to contact the suitable insurers and intermediaries. The communication with the customer, where possible, should be able to adapt to those with vulnerability.

“There is an increasing bias towards purchasing via the internet, in 2014 a third of all motor policies were purchased through a price comparison website.”

14 The issues Continued

4. Policy Information

Products and services provided by insurance companies are seen as catering to a standard one size fits all approach which does not allow for flexibility when circumstances call for it. Some consumers are overwhelmed by complex information and can find it hard to distinguish between promotional material and important messages about their product. In some areas inaccurate interpretation or overzealous implementation of rules (such as those around protection or affordability) is preventing firms from meeting the needs of the vulnerable customer.

According to the FCA paper Vulnerability Exposed: *The Consumer Experience of Vulnerability in Financial Services*, the biggest challenge facing companies is striking a balance between enabling and empowering and safeguarding and protecting consumers. There have been a few papers issued recently that try to address the needs of vulnerable people when dealing with the financial service industry all of which look at policy information, including “*The Consulting Consortium – Treating Vulnerable Customers Fairly*”, “*ABI and BIBA Codes of Good Practice Regarding Support for Potentially Vulnerable Motor and Household Customers At Renewal – January 16*”, and papers from other industries such as banking, as shown here.

“The biggest challenge facing companies is striking a balance between enabling and empowering and safeguarding and protecting consumers.”

Improving Outcomes for Customers in Vulnerable Situations

(British Banking Association, BBA)

1. **Sensitive and Flexible Response** – When customers seek help and support firms should treat them sensitively and flexibly and be responsive to their need
2. **Effective access to support** – Customers should be able to access practical, jargon free information and help through the range of communication channels that each firm provides. They should also be informed about external sources of help relevant to their situation
3. **One-Stop Notice** – Customers should not need to tell firms about their particular circumstances or characteristic more than once.
4. **Specialist Help Available** – Customers should have access to specialist support to help make informed choices in light of their individual situation. Where customers require regular/ongoing assistance in such circumstances firms should consider opportunities to provide dedicated points of contact to support them.
5. **Easy for Family and Friends to Support** – At customers request firms should make it easy for a friend or family member to help manage their money.
6. **Scam Protection** – Customers particularly at risk of being scammed or financially abused need to be (and feel) protected by their financial service provider
7. **Customer Focused Review** – Evaluating and monitoring procedures should centre on obtaining a positive outcome for the customer
8. **Industry Alignment** – The industry should via the financial services trade associations and other bodies, identify opportunities to collaborate on areas where there is common agenda and on opportunity to improve the outcome for customers in vulnerable situations
9. **Inclusive Regulation** – Regulation should help financial services firms and industry achieve better customer outcomes

15 The issues Continued

5. Making a claim

Failure to ask clear and unambiguous questions

There are a number of examples of insurers voiding (treating it as if it didn't exist) or cancelling insurance policies due to undeclared unspent criminal convictions. Sometimes this action was warranted, however the consumer only found out that they had no cover when making a claim or, in the case of motor insurance, being stopped by the police. At others times, the voidance or cancellation, usually following a claim, was eventually deemed to be due to an earlier error by the insurer when writing the policy. There are also cases where insurers took spent convictions into consideration at the application stage, which is not allowed under the Rehabilitation of Offenders Act 1974.

When there is a genuine failure to disclose, the insurer can be entitled to void the policy. However, consumers must be asked clear, unambiguous questions when they take out or renew their policy. For example, it should be made clear that a criminal conviction is one where the consumer was convicted in a court of law, other than as a result of a motoring offence. The policy should only be voided if evidence can be provided by the insurer that it would not have insured the consumer had it been made aware of the criminal conviction.

“Mr O's theft claim was rejected and his motor insurance policy voided due to his apparent failure to disclose a criminal conviction when taking out the policy through a broker. When Mr O asked the broker to clarify what it meant by “non-motoring convictions,” it failed to provide a clear explanation; instead the advisor clarified non-motor convictions as “assault or murder or... anything major like fraud.” Mr O relied on his vehicle to do his job and was forced to use taxis and zip cars to commute but could not continue to use these methods or purchase a new car. The FOS found that Mr O suffered an exceptional amount of distress and inconvenience due to the broker's actions and ordered the broker to settle the claim, reimburse all travel expenses, pay Mr O £750 compensation and ask the underwriter to remove the notice of voidance from all databases.”

FOS Case Study (31661)

There are examples where the insurer acted unfairly in voiding the policy or declining a claim. The main reasons for this were that a clear explanation of what constitutes a non-motoring conviction was not provided to the consumer or it was not made clear when asking about convictions that this included both motoring and non-motoring. On other occasions, the intermediary failed to provide information it had been provided by the consumer to the insurer.

Unfair voidance or cancellation of a policy can cause significant anxiety, distress and inconvenience to consumers. It can put already vulnerable consumers into financial difficulties and can make it more difficult or more expensive to get insurance due to the notice of voidance or cancellation on databases.

In cases where an insurer uses their wording against a vulnerable customer, there may be an additional difficulty that the normal route of complaint, the Financial Ombudsman Service, may be inaccessible to people in specific situations (for example, lack of literacy or those in mental distress).

“Unfair voidance or cancellation of a policy can cause significant anxiety, distress and inconvenience to consumers.”

16 The issues Continued

Poor Claims Handling

“Mr C – who is disabled – and his wife were left alone at the roadside for six hours by their breakdown cover provider without prompt and correct advice and assistance when injured in a car accident abroad with three frightened, tired and hungry children. Furthermore, Mr C received poor service from the business in the days that followed, errors were made in the settlement of the claim and the business failed to investigate and respond appropriately to resultant complaints, causing him and his family unnecessary and significant distress and inconvenience. Mr C was awarded £500 compensation.”

FOS Case Study (22046)

There are examples of inappropriate or poor claims handling leading to vulnerable consumers suffering detriment. Having to deal with the additional and unnecessary stress will have knock on consequences for all consumers, however for people who are already vulnerable, the overall impact may be exacerbated.

The crucial, acid test for an insurer is how it deals with a policyholder's claim. For many people it is a highly stressful, inconvenient and upsetting time. The insurer should try to make the claim progress as easily and as quickly as possible so that the policyholder can resume their normal lives.

Many of the cases here show unreasonable delays in settling claims having a real, meaningful impact on the consumers, sometimes leaving them housebound or without heating and hot water. Although insurers must strive to provide high levels of customer service at all times, in certain circumstances, such as when dealing with a vulnerable consumer, extra effort should be made to ensure that an increased standard of customer service is given.

“Delays in settling a claim after Mr O, who was 64 years old, registered disabled and suffered from a number of medical conditions, had his car stolen caused him major distress and inconvenience. Mr O, whilst not asking for “special treatment”, had asked for his claim to be progressed with minimal delays because he was reliant on his car. The insurer did little to expedite matters to help its customer and its handling of the claim left him without a vehicle and virtually housebound for a number of months. The insurer then tried to blame Mr O for its own customer service failings. Mr O was awarded £600 compensation and an additional £630 for loss of use.”

FOS Case Study (16415)

On other occasions, poor treatment by insurers of consumers who were dealing with the illness or death of a close relative was demonstrated. Here insurers caused those in already difficult circumstances additional upset and trouble through unfairly declining claims for cancelled or curtailed holidays, for example, or showing a lack of empathy and sensitivity to their customers by using inappropriate language and requesting unnecessary information. It is very important for insurers to treat customers who are also dealing with difficult circumstances, such as bereavement or a terminal diagnosis, with compassion while a claim is being processed.

“There are examples of inappropriate or poor claims handling leading to vulnerable consumers suffering detriment”

17 The issues Continued

Rigid Processes

There are examples of insurers unprepared to adjust normal procedures, causing considerable distress to vulnerable consumers and resulting in unnecessary delays. Certain processes may not be unreasonable in principle, however those in vulnerable circumstances may find that these processes cause additional distress and result in unnecessary delays in claims settlement.

“Mrs D is over 80 years old and disabled. When she called to report that her boiler was not working – and to get the assistance that she reasonably expected under her policy – she was required to answer questions about the boiler and carry out some diagnostic tests. Mrs D was confused about the type of boiler she had and what she was being asked to do. The representative told her that no one would be able to come out and look at her boiler unless she could check the pressure gauge. At this point, despite Mrs D becoming distressed, breathless and panicked, the representative was unprepared to adjust the normal procedure. Mrs D was eventually able to ask a neighbour to carry out the tests however the insurer’s rigid process resulted in unnecessary delays in settling the claim Mrs D was without heating or hot water. Mrs D was awarded £450 compensation.”

FOS Case Study (71184)

Vulnerable consumers may have specialised needs due to age, disability or medical issues. There are examples of insurers not taking these specific needs into consideration when making arrangements for alternative accommodation or courtesy cars. When alternative accommodation is required, the insurer should make every effort to ensure that this is suitable for the claimant’s needs.

“Mrs B’s home suffered an escape of water that necessitated her moving to alternative accommodation. The insurer offered two properties, neither of which was suitable. One was felt to be too far from her daughter, who was her registered carer, and the other was up a steep slope from the road and due to her medical situation, this would mean that on days she was unable to drive she would be housebound. Mrs B’s daughter, Mrs G, found Mrs B a two bedroom flat on level ground within a similar distance to Mrs G’s home as Mrs B’s bungalow had been and in walking distance of shops. The insurer refused to meet the full cost of the flat as it was £695 more per month than the flats it had offered. The FOS required the insurer to fund the total cost of the alternative accommodation (up to the alternative accommodation limit) and pay Mrs B £300 in respect of distress and inconvenience.”

FOS Case Study (28787)

“There are examples of insurers unprepared to adjust normal procedures, causing considerable distress to vulnerable consumers”

18 Recommendations

Why should insurers respond to the needs of vulnerable customers?

- From a purely financial sense, these consumers represent a significant amount of premium, by the sheer numbers of people that can be considered vulnerable.
 - For example, disabled individuals represent 19% of the UK workforce. If only 50% require home insurance, at an average of £250 per policy that's a market segment of nearly £1 billion. 25% of people are estimated to have mental health issues. The number of those expected to have cancer is more than one in three.
 - Translate these in to premium income and these are large sections of the market place that cannot be ignored.
- From a reputational perspective, the positive treatment of vulnerable individuals will provide a more positive response, on the flip side, the poor handling of a vulnerable customer is likely to lead to a greater level of poor publicity.
- FOS decisions consider vulnerability in their evaluations of situations – it would be both cost effective and reputationally sound to incorporate FOS views as policy rather than exceptions.
- Organisations are increasingly creating positions for 'customer experience' or 'customer managers', to increase governance and focus on operations of an organisation being tailored to the customer – vulnerable customer considerations need to form part of these roles and remit to truly give weight and accuracy to such a role.
- The regulators are increasingly focusing on the treatment of vulnerable customers. Insurers that grasp this and can demonstrate that they are considering vulnerability in their business are likely to be ahead of the game.

“Disabled individuals represent 19% of the UK workforce”

Our seven key recommendations:

1. 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.
2. Charities should be consulted and in some cases partnered with in all aspects from product development and underwriting, to claims handling and training.
3. Customers should be signposted to more suitable insurance services if an insurer believes they cannot provide the adequate assistance.
4. Insurance companies should ensure support is offered to a vulnerable customer so they can effectively interact and insurers can deliver on their promised service.
5. 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.
6. Insurance companies should mimic successful initiatives developed outside of the industry – in particular energy firms, which have gone a long way to formalising their approach.
7. Existing guidelines have been developed by companies and industry bodies – insurers should read, use and adopt them.

See the following pages for further details on our recommendations.

19 Recommendations Continued

1. Identifying and recording vulnerability

A method is needed to identify vulnerable consumers with a flag or details recorded on their records.

The recording of vulnerability is potentially contentious as under the Data Protection Act, individuals have the right to access personal data held on them. If they do not consider themselves to be vulnerable then they may be offended by being flagged as such. This is particularly difficult when it comes to using age as a marker of vulnerability as each individual will have different capabilities with age. Less offence may be caused if the marker is of potential vulnerability unless the customer identifies a vulnerability themselves.

A framework for identifying vulnerability should be created across the industry. The Direct Marketing Association (DMA) produced guidelines for call centres dealing with vulnerable consumers. In this, they make recommendations for signs that may suggest a consumer is potentially vulnerable. These guidelines could easily be transferred to front-line insurance employees.

A lot of insurance is now transacted without any human interaction, which makes the identification of vulnerability more difficult. In a lot of cases, the only interaction with the insurer will be at claim stage where it may be later than ideal to identify the vulnerability. This should still be recorded on the policy so that the policyholder is protected in future interactions.

The DMA recommend a review of procedures to accommodate the needs of vulnerable consumers, training of staff, logging details of consumer communication needs and a quality assessment of interactions with the vulnerable consumer. There should also be the option for the consumer to make a personal declaration about their capabilities and communication needs which is then stored on their records.

Training is also needed to reassess the vulnerability of customers. The marker should not be left indefinitely on the system, some vulnerabilities are transient, for example, bereavement. It is important therefore that there is a regular review of any policies where a vulnerability is identified.

“A framework for identifying vulnerability should be created across the industry”

20 Recommendations Continued

2. Charity partnership

It is recommended that insurers follow the path set by several financial institutions that have developed successful partnerships with charities in order to further their understanding of the difficulties faced by vulnerable consumers:

- Barclays Bank, in collaboration with the Carers Trust, has introduced Carers' Forums in various branches around the UK. This brings together organisations and charities from local communities to help with issues individuals might not be aware of if they're helping a family member or friend as a carer. This includes where to go for support and the options available to help with money matters. Carer's Trust also co-wrote a booklet for Barclay's employees to help them to identify carers within their branches and signpost them to where support might be available. Barclays invited Carers Trust to take part in a television advertising campaign and feature piece in *The Telegraph*.
- Lloyds Banking Group, as lead author, with Alzheimer's Society produced the Dementia-Friendly Financial Services Charter, which is committed to improving the customer experiences of people living with dementia when dealing with financial service organisations. This particularly highlighted the need for training of frontline staff in identifying and helping these individuals.
- Nationwide has been working with Macmillan Cancer Support for more than 20 years. Nationwide employees and customers have raised money for the charity, helping to improve the lives of people affected by cancer.
- Nationwide has also developed a Specialist Support Service which is designed to help those affected by cancer with any financial concerns that the sufferer or their family may have. Everyone involved in this service knows about Nationwide products and services and has had special training from Macmillan. This helps to reduce the stress caused by dealing with financial issues at a challenging time.
- The BBA created a Financial Services Vulnerability Taskforce with multiple charities and consumer groups.

Recent issues with charity partnerships which have been published in the press raise the need for any relationship between a charity and the commercial sector to be ethical and transparent. It was recently reported that Age UK's energy deals with EON were to be examined by regulators due to claims that the charity has been promoting unfavourable deals in exchange for financial reward. Key to the success of these partnerships is that individuals need to be able to trust that this is working in their best interests.

Barclays has an accessibility statement where it sets out the ambition to become the most accessible and inclusive bank for all of their customers. In doing so, they regularly engage with disability organisations and charities to access their knowledge about the needs of people with disabilities and how best to improve their products and services. This has included updating and refreshing disability awareness and etiquette training for all employees, making use of accessible technology and using customer feedback to improve accessibility.

“Recent issues with charity partnerships which have been published in the press raise the need for any relationship with a charity to be open and honest.”

21 Recommendations Continued

3. Signposting

The 'Signposting' Agreement 2012 should be extended to cover vulnerabilities other than age. For instance, travel insurance providers who are unable to offer cover for specific pre-existing conditions could signpost consumers to specialist insurers who can provide cover as required. The BIBA 'Find Insurance' page already displays brokers who may be able to provide travel insurance for individuals with medical conditions, so it may be that insurers need to utilise this or develop relationships with other companies who are able to offer this service. Several charities already do this for the people that they are set up to help, so this information is already readily available.

Blue Badge Mobility Insurance was established to provide niche insurance products specifically designed to meet their clients' needs. They are a specialist insurance provider for Mobility and Disability who offer specialist products for mobility insurance (to cover mobility scooters, power chairs, manual wheelchairs and trikes), equipment insurance (to cover stair lifts, riser chairs, hoists, bath lifts and adjustable beds), care workers insurance (to cover the employment of a care worker or those working as a care worker) and travel insurance (covering all ages, existing medical conditions and disabilities).

This is an example of a company that other insurers should signpost their customers to, in order to provide cover that meets their needs. Blue Badge provide their policyholders with a telephone interaction where they are given more time, empathy and understanding than other insurers may have been able to provide due to the specific training of their employees. The products have been designed to meet the more specialist needs of their target customer, and can be adapted to meet their individual needs. At the time of a claim, the claims handler has been trained to have a better understanding of the specific situation and the customer's needs, for example, if an individual's stair lift has been damaged, then the claim's handler understands that this would result in them being confined to one part of their house, so a solution is needed quickly.

“The products have been designed to meet the more specialist needs of their target customer, and can be adapted to meet their individual needs.”

22 Recommendations Continued

4. Provide support

Barclays provide the “Digital Eagles” service where they give practical and helpful advice regarding individuals on online issues. This includes “Tea & Teach” sessions where individuals can go into the branch and have their questions answered. This service has featured in their advertising campaigns, so that people are aware of the help available to them.

Insurers such as Allianz, Direct Line and the broker Home & Legacy are beginning to follow some bank practices, signing up to ‘British sign language’ (BSL) Video relay’. Some support this with TextRelay which provides access to a SignVideo service connecting the customer to an online interpreter who can communicate sign language to one of their advisors. This service allows policyholders who use sign language to take control of their own policy rather than relying on a friend or family member to act on their behalf. This is something that should be rolled out throughout the industry to allow access to these consumers.

For visually impaired customers, most financial institutions state that leaflets can be provided in large print, Braille or by audio CD.

Most insurers’ websites refer to accessibility of their websites following the Web Content Accessibility Guidelines rather than other aspects of accessibility concerns.

When it comes to moment of truth of the claim, insurers should be looking at the individual circumstances of the claim like who the claimant is and what the circumstances of the issue are. A lot of the FOS decisions have mentioned that a vulnerable policyholder may need special arrangements at the time of the claim. On a household policy, there may be a need a different type of temporary accommodation in the case of pregnancy or disability.

Similarly, the unoccupancy terms on a household policy may need to be reviewed due to hospital admittance for an elderly policyholder. Someone with a mental illness such as depression or anxiety is likely to suffer an increase in their symptoms during times of stress brought on by their claim so extra consideration may be needed.

For someone who is physically disabled, a car accident that renders their car off the road may require a specially adapted courtesy car while theirs is being fixed. If this cannot be provided then alternative arrangements will need to be made.

One recommendation is that policyholders should be made aware of the ability to add an authorised person to their policy who can transact business on their behalf. Insurance employees need training in the implications of power of attorney and authorised individuals. A process needs to be established so that boundaries are clear for all parties.

Implementation of a bereavement process would be beneficial to both the insurer and the individual. A taskforce headed by Britain's biggest banks is working out how to set up a service so that grieving families can cancel a loved one's accounts in a single step. The BBA working with the Building Societies Association, is developing a proposal for a 'Tell Us Once' service to help bereaved relatives, rather than being passed around the company speaking to various departments and having to repeat the distressing news. This is also beneficial for the employees as this process should be handled by an individual who has been specially training and is able to empathise. The BBA has produced a leaflet for bereaved customers to help them settle the banking affairs of someone who has died, including the details of which documents need to be presented and to who.

“Implementation of a bereavement process would be beneficial to both the insurer and the individual.”

23 Recommendations Continued

5. Training

Training of employees is a necessity. It is proposed that a generic industry wide training programme – delivered via computer based training – should be set up to inform front-line employees. This should cover what they should be looking for in order to identify vulnerable individuals, what questions can be asked given certain vulnerability indicators and active listening to consumers' situations and needs.

Employees need to be made aware of the limitations of the covers offered by their company so that they can ensure coverage is appropriate for a vulnerable individual, who may have specific requirements. If the company cannot offer an appropriate product, then the employee should be able to provide details of other companies that can.

Claims handlers and loss adjusters should also be trained to ask questions and spot signs of vulnerability at the point of claim so that specialist provisions can be made.

In a Dosh (Financial Advocacy) report, emphasis is placed on the importance of training employees on guidance, policies and good practice in banks. The aim of this is to tackle the inconsistencies seen in their research. A key individual should be in place in each branch as a specialist resource for others to refer to if the need arises. Dosh also suggest that some of the training could be held by someone with a learning disability to aid the employees' understanding.

Guidance is needed around data protection and vulnerable customers. There needs to be a process for establishing an authorised person or power of attorney, so that employees are aware of what can and can't be discussed and which aspects of policies can be changed. The DMA white paper makes suggestions as to the types of conversations that are appropriate with third parties not authorised to transact business. Employees should be trained to identify and question irregular patterns of activity and report suspicious behaviour.

“Employees need to be made aware of the limitations of the covers offered by their company so that they can ensure the cover is appropriate for a vulnerable individual who may have specific requirements.”

24 Recommendations Continued

6. Utilise other industry knowledge

Ofgem's Consumer Vulnerability Strategy has so far included:

- Additional support for customers in vulnerable situations during power outages.
- Free services for customers with additional needs – communication, access or safety needs.
- Investigations into company practices leading to additional funds to support fuel poor and vulnerable customers.

These are all actions that should be tailored for the insurance sector. For example, through:

- Offering additional support for vulnerable policyholders at the time of claim could help to reduce the detriment suffered.
- Ensuring free services for customers with additional needs, which should include providing prices that match the insurer's prices on price comparison websites for individuals unable to access the sites.
- Ensuring that vulnerable consumers are made aware of their options at renewal so that they get the most suitable product for their needs and so they are not paying an excessive premium by not shopping around, for example by being left on a legacy product because they are not made aware that there are other options available. This is mentioned in the new ABI and BIBA Code of Good Practice to support potentially vulnerable motor and household customers at renewal.

Dosh has been set up to support people with a learning disability to be more independent with their money by providing financial advocacy, appointeeship, account management and other money support. Dosh produced a report looking at the key issues encountered in their experience when trying to access banking services. They made recommendations for written guidance to be produced for banking staff on how to support someone to access banking and how to understand mental capacity. This includes how regulations, security measures and other rules can be safely adjusted to allow someone to access services. The focus should be on the need for clear information and support with guidance on how to judge capacity, including when to require a formal assessment by a medical practitioner and when to involve the Court of Protection.

With advancing technology, more and more businesses are utilising mobile communications as reminders to individuals, for example doctors and dentists are sending text reminders a few days in advance of an appointment. This is something that could be considered by insurers to allow policyholders to opt-in to reminders of renewals. If a customer pays annually, then a text reminder could be issued if they haven't renewed a few days before the policy expires. If a customer pays by instalments and the policy auto-renews, then a text could be sent after the paper or email renewal documents to remind them that their policy is due to renew.

Guidance has been provided by the Royal College of Psychiatrists in collaboration with the Money Advice Trust on *lending, debt collection and mental health: 12 steps for treating potentially vulnerable customers fairly*. This again emphasises the importance of training front-line employees on how to identify and deal with individuals with mental health problems.

In the Lending Standard Board's Themed Review of Vulnerable Customers, they found that there were policies and processes in place to deal appropriately with vulnerable customers. Customers who were identified as potentially vulnerable were referred to trained, specialist staff where individual case management is carried out. A suggested improvement was the use of management information to assess the effectiveness of controls put in place for vulnerable customers as part of second and third lines of defence. This is something that insurers should consider with the implementation of a vulnerability flag within their systems – management information around this would be beneficial for assessment.

“Dosh has been set up to support people with a learning disability to be more independent with their money.”

25 Recommendations Continued

7. Utilise existing guidelines

The **ABI and BIBA Code of Good Practice** is aimed to support potentially vulnerable motor and household customers at renewal. The code states that employees should be adequately trained to recognise potentially vulnerable customers at renewal, listen to their particular needs and be equipped with flexible options to address those needs. This should be rolled out across all customer interactions including new business and claims. Communication is needed through the system to ensure that features identified by the sales team, underwriter or claims handler is logged and can be picked up by the next person to interact with the policyholder.

In 2012 BIBA and ABI set up a signposting initiative '**BIBA's find a broker service**'. If a consumer is struggling to find appropriate cover due to their own unusual circumstances. This website points them in the direction of more helpful brokers and insurers who are able to assist.

Zurich have focused on dementia and developed a protocol in October 2013 called the '**Dementia Friendly Financial Services Charter**' which is committed to improving the customer experience of people living with dementia. Working with the Alzheimer's Society to provide bespoke training to Zurich staff, a tailor made training module has been developed. Zurich has its '**Tone of Voice Training**' to allow staff to tailor the way they deal with the customer. Employees also take part in initiatives with charity partners to raise awareness and learn more about how mental illness impacts people.

RSA Motability (RSAM) Unit provides an accident management and insurance service for the Motability Scheme fleet. The fleet is operated by Motability Operations and is the largest motor fleet in Europe. The unit has achieved a Highly Commended National Training Award for **Disability Awareness Training**.

The **FCA's Occasional Paper includes a Practitioners Pack** to support firms' understanding of how they can generate better outcomes and develop more inclusive services for vulnerable consumers.

A number of solicitors have focused on the issue and have offered advice on how to address the vulnerability. This can be found on the Eversheds website – 'Consumer Vulnerability - rising up the regulatory agenda'.

Life insurance special risk underwriting 'Risk differentiation underwriting' suggests practice for longer term conditions which could be relevant for general insurance.

The BBA and leading charities have come together to produce new guidance for banks to help staff provide the best possible support to people with critical or long-term illnesses. The BBA has also worked with the Royal College of Psychiatrists to improve service to customers with mental health problems. They outline 10 steps for front line staff that they encourage banks to use – this can be transferable to insurance.

Companies could use a "mystery shopper" approach to understand the journey of those in vulnerable situations and identify where improvements can be made.

Insurers need to actively recognise that vulnerable consumers will be a growing proportion of their existing and future customer base.

Overall improved understanding of customers' wants and needs will improve the way insurers respond to society.

Insurers should also not limit themselves to their own industry in looking for solutions, and should consider all service industries, speaking to customers as well as the charity partners that represent them.

"A number of solicitors have focussed on the issue and have offered advice on how to address the vulnerability."

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Thank you

Thank you to all the charities and industry bodies who responded to our questionnaire.

Special thanks to:

- Mark Shepherd at the ABI
- Andy Chestnutt at Blue Badge Mobility
- Luen Thompson at Carers Trust
- Citizens Advice Bureau for pulling together case studies
- Ant Gould at the Chartered Insurance Institute
- The members of the Chartered Insurance Institute Underwriting Faculty Board including Graham Prior formerly at Zurich, Elspeth Hackett at Esure, Jeremy Diston at NFU Mutual and Michael Muzio at Now4Cover

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