SICSIC ADVISORY

Vulnerable Customers

Putting guidance into practice

for insurers and brokers

August 2020

Vulnerable customers are one of the key areas of focus of the Financial Conduct Authority (FCA) this year. The regulator has recently published new guidance on how it expects firms to protect vulnerable customers.

For brokers and insurers, the main considerations will be how a product is sold, communications between initial sale and renewal and their claims process. The challenge now is to translate the key themes identified in the report – recognising vulnerability, sympathy, knowledgeable staff and good communications - into measurable, actionable, deliverable processes that will last well beyond Covid-19.

Recognising vulnerability

The number of people who identify themselves as vulnerable has doubled in a year, with coronavirus impacting people's finances, health, and resilience. The first and biggest step is being able to recognise these customers, and then being able to respond to them appropriately is understanding that impact can help a firm understand and predict behaviour.

Mining your own data

GDPR has often had the effect of putting more distance between a firm and its customers when trying to identify and assess vulnerability. Firms, therefore, need to review their GDPR implementation, their ability to collect, store and use information which is of benefit to their customers should they be or become vulnerable. Much of the information used to assess risk can also help assess vulnerability and put markers into firms' systems to track and work with affected customers.

The FCA states it will apply a "vulnerability lens" to other supervisory and policy work. With the publication of its general insurance pricing practices market study imminent, this is a particularly pertinent warning for insurers and brokers which have an above average market share of vulnerable customers on their books.

Recording vulnerability

Firms tend to struggle most with design and organisation change necessary to identify, track and use the most relevant customer information. Data on vulnerability must be systematically collected, recorded and CRMs adapted.

Communications – especially automated ones - need to be tailored with specialist teams set up to remove vulnerable customers from business as usual interactions.

Understanding, knowledge and power

Sympathy and rapport can help build understanding of complex, interlocking, and fluid vulnerability that will get both vulnerable customers and firms a better end result. Call handlers need flexible targets or service level agreements that allow sensitive exploration of customer needs when they meet vulnerability criteria. They must also be empowered to act – whether that's a delayed payment or signposting to external resources.

Not just selling anymore but supporting customers - for some firms that's going to mean a significant culture change.

Good communications

The organisations winning communications are communicating proactively. Presenting product and policy information in a way customers can understand, and using a tone that's more supportive than dictatorial, can help companies avoid and resolve difficult situations.

The biggest obstacle is knowing where to start, but the best thing firms can do now is to look at their own data. Firms which grasp the initiative early, are likely to enhance the sustainability of their business models by improving genuine customer loyalty and therefore retention. Demonstration of this will also reap rewards in terms of reduced adverse regulatory attention and a stronger brand value.

References:
- *FCA GC20/3: Guidance for firms on the fair treatment of vulnerable customers*
- *Vulnerable Customers in the Insurance Market (Consumer Intelligence/Sicsic Advisory)*

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practical things to do to protect vulnerable customers:

Nominate a Sponsor
Nominate a senior vulnerable customer sponsor within the firm

Take stock
Use existing customer data and MI to perform a gap analysis to assess potential vulnerability, including by reference to the FCA guidance paper
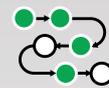
Establish a Team
Establish a cross functional vulnerable customer project team

Map Out Journeys
Review or create a vulnerable customer process and map out user journeys for the range of vulnerabilities

Amend processes
Amend or create processes and systems to collect the updated sets of data

Develop Operating Model
Amend or create a new vulnerable customer operating model and governance system, integrated with the rest of the firm

Agree Flags
Agree appropriate vulnerability data flags

Tailor Communications
Tailor communications, including automated responses, to vulnerable customers to their range of needs

Renewal Process
Introducing outbound calls to vulnerable customers at renewal

Train Staff
Undertake updated vulnerable customer training for staff, and soft skills/support training for specialist call handlers