

FCA General Insurance Conference 2<sup>nd</sup> June 2014

**Treating Consumers Fairly in General Insurance**

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**Chair - Financial Services Consumer Panel**

# Financial Services Consumer Panel

A hand holding a globe with icons for a house, car, and family.

- **Established by the Financial Services Act 2012**
- **13 members from a range of backgrounds**
- **Advises and challenges the FCA**
- **Undertakes projects on wider regulatory agenda:**
  - Last year: annuities, general insurance, consumer representation in EU policy making
  - This year: cross subsidies in personal current accounts, investment costs, consumer view of regulation

# General Insurance

A hand holding a globe with icons for a house, car, dog, and family.

- **The average UK household spends over £800 a year on general insurance**
- **More than 2.7 million consumers have insurance for their cats and dogs**
- **Complaints to the Ombudsman about GI increased from 19,000 in 2009 to over 33,000 in 2013**
- **The FOS sees more complaints about car and motorcycle insurance than any other area of insurance**

# Panel's research

- **The Panel had a series of in-depth discussions with market participants (insurers and intermediaries), regulatory bodies and consumer groups**
- **It then produced a report highlighting seven issues of concern:**
  - insufficient information to enable choice
  - lack of transparency and potential conflicts
  - an increase in charged-for extras
  - lack of affordable cover for high-risk groups
  - disproportionate ancillary charges
  - auto-renewal and increasing renewal costs
  - poor post-sales and claims management processes

# FCA response to issues

- **Insufficient information to enable choice** → **Comparison websites thematic review and GI add ons**
- **Lack of transparency and potential conflicts** → **Mobile phone insurance and conflicts of interest thematic work**
- **Poor post-sales and claims management processes** → **Claims handling thematic review**

# Recommendations for industry

- Be explicit when standard cover is excluded
- **Show clearly in cash the price increases to auto-renewed policies and remind consumers in good time that they can shop around for a better deal**
- Be clearer about the fees charged for basic policy changes and ensure charges reflect actual costs
- **Ensure information is presented in a way that encourages consumers to look beyond price when comparing policies**
- Be clearer about who owns comparison sites and whether or not they cover the whole of the market
- **Put customers first, reward loyalty and move away from a culture that treats consumers with suspicion**

# Consumer experience

**Consumers would be better served if they:**

- **could understand and trust the general insurance products they buy and the firms that sell them**
- **were only sold products they wanted or needed**
- **experienced a hassle free claims process**
- **experienced better complaint handling processes**