

**C**laiming is the moment of truth in general insurance. It is the point when consumers find out about the claims service and claims outcomes their insurer delivers. How well are insurers delivering on their promises and how does their service match expectations?

The last time the regulator – then the Financial Services Authority – carried out a review of which claims was a major part, was in 2006. Since then the industry has changed considerably, so it was considered timely to look at claims again. In particular, we wanted to assess in a new thematic review whether consumers, as claimants, are at the heart of general insurers' businesses.

We decided to focus on claims on personal lines policies. We selected household and retail travel (so excluding claims under group travel policies). Household was chosen because, after motor, it is the largest personal product line by premium volume. Retail travel was chosen because it is a very diverse market. There are many suppliers and cover can be bought for a single trip, as an annual policy, or provided through a packaged bank account. Our ongoing supervision and other contact we receive has suggested there may be problems in consumers' understanding of cover.

### The nature of the review

Our review involved talking to firms, consumer research and, with the CII's welcome support, a survey of its members. The investigative part of the review was carried out principally between August 2013 and November 2013 and 10 insurers were involved. They were chosen against a range of criteria, including size and business model.

Our firm-facing work included interviews with senior management and visits to claims operations. This included coverholders and third-party administrators (TPAs) where claims handling has been delegated by the insurer. In total, 18 sites were visited. Listening to claims calls and reviewing claims files showed the diversity of the situations consumers and claims handlers face. We also accompanied in-house or third-party loss adjusters to see how they deal with claimants when they visit them.

Previous thematic reviews we have carried out have shown the importance of complementing our firm-facing work with consumer research. This provides direct evidence of what consumers have experienced and what is important to them. So, as part of this project, we commissioned a market research agency to survey recent claimants. Claimants were in three categories: those whose claims had been successful; those whose

# REVIEWING THE CLAIMS PROCESS

*Simon Green takes a look at the Financial Conduct Authority's review of insurers' management of household and retail travel claims*

claims had been rejected; and claimants who had decided to withdraw their claim. Overall, more than 1,500 claimants were surveyed.

To provide an additional perspective – that of industry practitioners in their professional capacity – the CII agreed to carry out an online survey in October 2013, with 804 people completing the household questionnaire; 322 the travel one. The survey results were included as an annex to the report we published in May. The report can be accessed at: <http://www.fca.org.uk/news/tr14-8-insurers-management-of-claims-household-and-retail-travel>

### Headline findings

The findings of our firm-facing work, the consumer research and the survey of CII members were broadly consistent as to what insurers do well and where the focus of attention should be if firms want to improve and further increase consumer satisfaction.

Across the three categories of claimants, 64% were "satisfied" or "very satisfied" with how their claim was handled overall. Among successful claimants, 82% were satisfied with their experience. Unsurprisingly, satisfaction levels among claimants who had their claim rejected or decided to withdraw it were much lower, at 23% and 56% respectively. Satisfaction

levels generally were pretty consistent across household and retail travel.

We measured satisfaction at an individual insurer level. Among successful household claimants, satisfaction levels ranged from 90% to 74%. In travel, the range was narrower at 86% to 77%.

Across all the insurers in the project, one of the biggest differentiators was the extent to which they appeared to be challenging themselves to improve their claims performance. This was more evident in household than retail travel.

To improve claims performance, the collection and use of consumer information is particularly important. Some insurers see it as critical to capture as much information as possible – formally through consumer research and also from sources such as what claimants say during phonecalls – because of what it shows about consumer understanding or misunderstanding of products, sales processes and claims processes. They cited examples of changes they had made as a result, such as improving and clarifying cover.

One of the most interesting findings from the consumer research concerned complaints. About 20% of claimants said they felt like complaining at some stage during their claim,

