

# Consultation Response

## Draft Guidance for Insurance and Premium Finance Firms

### Financial Conduct Authority

May 2020

Ref:

All rights reserved. Third parties may only reproduce this paper or parts of it for academic, educational or research purposes or where the prior consent of Age UK has been obtained for influencing or developing policy and practice.

[Neil.Johnson@ageuk.org.uk](mailto:Neil.Johnson@ageuk.org.uk)

Age UK  
Tavis House  
1-6 Tavistock Square  
London WC1H 9NA  
T 0800 169 80 80 F 020 3033 1000  
E [policy@ageuk.org.uk](mailto:policy@ageuk.org.uk)  
[www.ageuk.org.uk](http://www.ageuk.org.uk)

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is Tavis House 1-6 Tavistock Square, London WC1H 9NA.

## **About this consultation**

The Financial Conduct Authority has launched a consultation proposing a range of temporary measures to support users of several insurance products who are facing financial challenges arising from the coronavirus.

## **About Age UK**

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

## **Key Points and Recommendations**

- Firms must report to the FCA how they are supporting vulnerable customers
- The FCA must ensure that firms do not change their underwriting criteria to prevent people taking out insurance who would previously have been covered unless the firm can demonstrate how the risk has changed
- If a customer or firm reduces the cover of a policy, the firm must ensure that the customer fully understands the implications to avoid future dispute and mis-selling complaints
- Firms must ensure that customer facing communications do not discourage people from contacting them by non-electronic means.

## **Introduction**

We welcome the opportunity to comment on the proposals, and the action that the FCA is taking to protect consumers impacted by Coronavirus in these markets.

We would particularly like to highlight the rapid way the industry reacted to the crisis by extending motor insurance to cover people using their cars for volunteering duties. In the future, such provisions may need to be permanent, and we expect that the FCA will act against any firms that are not helping their customers in this way.

We appreciate that the urgency of the action that the FCA is taking. We understand that several firms are already implementing many of the measures that are proposed, and welcome the FCA's action that will bring common standards across firms and give consumers certainty of the help they can expect from their provider.

We fully recognise that many people are encountering financial problems as a consequence of the Coronavirus. Although this is affecting a great many people from all demographic groups, it is important to remember that there are many older people who are also affected. Meeting financial commitments that were previously easily affordable has suddenly become challenging, including for many pensioners, and the flexibility that the FCA is giving insurers to help such customers is to be welcomed.

We have been unable to consider the impact of each of the measures in the short time available to us, but have the following general points to make.

### **The long-term impact**

We are concerned that people will take advantage of the flexibility that is offered without fully appreciating the long-term impacts on their finances, and particularly that debt will still have to be repaid. This is particularly important for older people, who may be on limited incomes and so may have difficulty meeting increased repayment requirements when we return to normal circumstances.

Firms must ensure that older customers taking advantage of these new measures fully understand the long-term implications of any actions they agree with their provider, including the implications for repayments in the future.

Many vulnerable customers, including many older people, may also have difficulty understanding the detail of insurance products, and the implications for them. While they may have understood how the product worked when they took it out, issues such as cognitive decline may mean that this is no longer the situation. Firms need to be particularly supportive of such customers, and the FCA should require firms to report to them how they are using the new provisions to support customers, and how they are helping vulnerable customers.

### **Risk Profiles**

We welcome the FCA's recognition that risk profiles of customers may have changed, and so it may be consequently appropriate for a firm to alter a customer's insurance product to reflect that changed risk.

We agree that altered risk profiles mean that insurance requirements may be different from when the policy was taken out, and so it may be possible for an insurer to change the coverage to reflect this changed profile and offer a reduced premium by, for example, removing business use from a motor policy.

However, older people often find that insurers are unwilling to cover them, or offer prohibitively high premiums that may not reflect the actual risk to the insurer or the risk profile of the consumer. Indeed, we have welcomed the FCA's interest in seeking to address some of these issues in the travel insurance market, and signpost older customers and those with long term conditions to providers who are able to help them.

With a lack of information currently available to insurers on the impact of the virus on their businesses and mortality rates, we remain concerned that insurers may use this to increase premiums for older people further, or to deprive even more older people of cover.

Where evidence is available to underwriters that such action is justified, they should be able to act accordingly. However, we expect the FCA to keep the industry under close supervision to ensure that older people are not denied cover by firms due to changes to their risk profiles or other underwriting profiles that are not evidence based.

### **Revisions of cover**

While revising – and reducing – the coverage of an individual’s policy may, for many financially strapped consumers, be an excellent way of reducing their premium, insurance products can be complex. Should an individual seek to reduce the coverage of their policy, or a firm suggest this, the firm must be absolutely assured that the individual understands the implications. This is particularly important for older people in view of the cognitive decline issues outlined above. Any doubt or misapprehension could give rise to issues in future, and potentially could result in a series of mis-selling claims.

### **Payment deferrals**

We welcome the flexibility the guidance affords firms to either reduce payments or give consumers a payment deferral. The prohibition on any charges to customers for any such action, and that there should be no impact on the consumer’s credit file.

We also welcome the requirement for firms to work with customers who have ongoing difficulties paying their premium to continue to support the customer after the three month period has ended.

If the eventual solution is to cancel the policy, claims that were made during the deferral period must be honoured by the firm.

### **Communication**

We welcome confirmation in the guidance that the onus is on firms to ensure their customers can communicate and easily make contact, and that they must pay particular needs to the requirements of vulnerable customers.

We have seen in other areas of the financial sector that firms’ attempts to encourage customers to contact them electronically – for understandable reasons - is potentially confusing for older customers as it suggests that they should avoid getting in touch with them unless they can do so electronically.

The FCA must ensure that any customer-facing communications should make it clear that anyone unable or unwilling to communicate with their provider electronically is welcome to do so using other means.

We are also hearing from the Age UK network that many call centres are becoming difficult to contact, both as a consequence of high inbound call volumes and staff absence. This is potentially particularly challenging for older people who may not have access to electronic

means of communication or whose complex requirements mean that they need to speak to their firm to receive appropriate help.

Insurance firms should be encouraged to establish special helplines for vulnerable customers, and, where appropriate, proactively contact vulnerable customers to see if they need any help. Several high street banks have developed similar services for their account holders that have been found to be very helpful for ensuring that vulnerable customers receive the support they need, and similar facilities should be provided by the insurance sector.