

A New Consumer Duty – Data & MI

As stated in the previous Focus Areas document, the New Consumer Duty centres on a new FCA Principle (PRIN12), which states:

A firm must act to deliver good outcomes for retail customers

One of the ways in which firms should act is by monitoring retail customer outcomes, identifying any potential or actual threat to good retail consumer outcomes and reporting to the Board.

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| PRIN 2A.8.3 R | A firm must prepare a report for its governing body setting out the results of its monitoring under PRIN 2A.9 and any actions required as a result of the monitoring. |
| PRIN 2A.8.4 R | At least annually, the governing body of a firm must:

(1) review and approve the firm's report on the outcomes being received by retail customers;
(2) confirm whether it is satisfied that the firm is complying with its obligations under Principle 12 and PRIN 2A; and
(3) assess whether the firm's future business strategy is consistent with its obligations under Principle 12 and PRIN 2A. |

Data collection and management information (MI) usage is central to being able to evidence good retail customer outcomes and, in turn, compliance with a New Consumer Duty.

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| PRIN 2A.9.8 R | A firm must regularly monitor the outcomes retail customers receive from:
(1) the products the firm manufactures or distributes;
(2) the communications the firm has with retail customers; and
(3) the customer support the firm provides to retail customers. |
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MI can usefully comprise both quantitative and qualitative data, together with narrative to ensure it is presented to Boards and other groups in a usable and informative way.

Most importantly, data collection and MI creation is a means to an end, rather than ends themselves. MI should be used in such a way as to provide positive comfort that consumers are receiving good outcomes, or to effect meaningful change. Managing agents should ideally be able to explain their use of MI, and any resulting actions, to the regulator.

PRIN 2A.8.5 R	When approving the firm's report under PRIN 2A.8.4R(1), the governing body of the firm must also agree: (1) any action required to address any identified risk that retail customers may not receive good outcomes; (2) any action required to address any identified instance where retail customers have not received good outcomes; and (3) any amendments to the firm's business strategy to ensure that it remains consistent with meeting the firm's obligations under Principle 12 and PRIN 2A.
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Managing Agent Check-list and Retail Customer Outcome MI Menu

Table 1 below is a check-list of actions, written from the perspective of a manufacturer. Table 2 is written from the perspective of a retail customer and is designed to assess their satisfaction with their insurance.

NOTES:

- The check-list and menu are examples of a) questions managing agents could ask themselves; and b) areas managing agents could explore in assessing retail customer outcomes.
- **They are not mandatory, expressly recommended or exhaustive lists.**
- The elements considered by a managing agent could be influenced by a range of factors, including the type of customer and/or product.

- Managing agents should also give careful consideration to the frequency of data collection.
- Low volumes of data can exhibit significant fluctuations.
- As well as metrics, managing agents could consider trends, tolerance and outliers, etc.
- Beware “false positives”, e.g. a low complaints rate may mean they are not being picked up.
- There are potentially other sources of useful data, e.g. audit reports/findings.

TABLE 1 - Managing Agent Check-List

	Products & Services	Price & Value	Retail Customer Understanding	Customer Support
1	We use appropriate data/MI to monitor customer outcomes See Customer Outcome MI Menu below			
2	We have considered different groups of customers, including vulnerable customers			
3	We have specified target markets for our products.	We are able to perform fair value assessments (including sufficient data)	We apply the same standards to communications as we do to sales.	We monitor our claims service to promote customer satisfaction.
4	We monitor performance to assess whether products meet the needs of our customers.	We have benchmarked price and value against competing products, where appropriate.	We apply the same standards to renewals as we do to new business.	We monitor our complaints handling to ensure customer satisfaction.
5	We review products to ensure they reflect general market developments.	We have taken action to address any deficiencies.	We are taking steps to keep customers engaged throughout their journey.	We consider how we might adapt our approach to deal with vulnerable consumers.
6	We consider if, and how, our products could cause harm.	We monitor for breaches of the FCA's pricing remedy.	We are testing the effectiveness of our communications, and the effectiveness of different channels.	We effectively monitor third parties with customer touchpoints.
7	We share relevant information with our distributors.			We ensure there are no barriers to switching, cancelling, claims or complaints.
8	We have a process for selecting and monitoring distribution channels.			
9	We consider whether withdrawing a product might cause consumer harm.			

TABLE 2 – Retail Customer Outcome MI Menu

- Blue indicates internal data (which may or may not currently be available).
- Green indicates external (Coverholder) data which already forms part of [Lloyd's Coverholder Reporting Standards](#) for high product risk products.
- Purple indicates percentage of justified complaints as per Lloyd's Complaints Quarterly Managing Agents Data - either FCA categorisation (FCA) or Root Cause (RC)
- Red indicates external (Coverholder) data which does not form part of Lloyd's Coverholder Reporting Standards for high product risk products or Lloyd's Complaints Quarterly Managing Agents Data.

	Products & Services	Price & Value	Retail Customer Understanding	Customer Support
1	<p>The product meets my needs.</p> <p>Target market defined</p> <p>Query rate*</p> <p>Cancellation rate (CR0057, CR0299)</p> <p>Claims denials (CR0311, CR0312)</p> <p>(FCA) Product performance / features, Disputes over sums / charges, Product disclosure information and (RC)Product Suitability</p>	<p>The cost price of the product is fair.</p> <p>Expected loss ratio</p> <p>Total gross written premium (CR0021)</p> <p>Cost net of total commissions/brokerage (CR0071)</p> <p>Cancellation rate (CR0057, CR0299)</p> <p>Renewal rate (CR0022)</p> <p>(RC) Underwriting / Premium Issues and (FCA) Disputes over sums / charges</p>	<p>My policy, and associated documentation, are clear and easy to understand.</p> <p>Follows LMA model consumer wording</p> <p>Communications reviewed by both specialists and non-specialists</p> <p>Website/tele sales reviews</p> <p>Financial promotions and marketing</p> <p>Claims denials (CR0311, CR0312)</p> <p>(FCA) Product Disclosure Information (RC) coverage / terms and conditions'</p> <p>Customer feedback sought</p> <p>Query rate</p>	<p>There is a helpline available for queries.</p> <p>Query rate</p>
2	<p>My policy limits are appropriate and sufficient.</p> <p>Amount claimed (CR0313)</p> <p>Query rate</p> <p>Mid-term adjustments</p> <p>Partial settlements</p> <p>(FCA) Product performance / features, (RC) Claim - quantum</p>	<p>The distribution costs do not adversely affect the product's value.</p> <p>Total gross written premium (CR0021)</p> <p>Total other fees (CR0086, CR0087)</p> <p>Acquisition costs</p>	<p>The policy conditions and exclusions are well signposted.</p> <p>Claims denials (CR0312)</p> <p>Cancellation rate (CR0057, CR0299)</p> <p>(FCA) Product disclosure information, (RC) Claim – coverage terms and conditions</p> <p>Claims denials (breach of condition)</p>	<p>The claims process is simple, with no barriers to making a claim.</p> <p>Claims rate</p> <p>Claims denials (CR0312)</p> <p>Renewal rate (CR0022)</p> <p>(RC) Claim – Customer Service</p>

3	<p>The policy coverage is in line with my expectations.</p> <p>Query rate Claims walkaways Claims denials (CR0312) (FCA) Product disclosure information, (RC) Claim – coverage terms and conditions</p>	<p>The policy coverage in line with my expectations.</p> <p>Cancellation rate (CR0057, CR0299) Claims denials (CR0312) Renewal rate (CR0022) Claims volume/frequency (FCA) Product disclosure information, (RC) Claim – coverage terms and conditions</p>	<p>My policy documentation is available in other languages, large format and braille.</p> <p>Alternative documentation available. (FCA) Product disclosure information, (RC) Customer Service – non-claims related,</p>	<p>My communications are responded to within an acceptable time frame.</p> <p>SLAs for email/postal and telephone calls (RC) Claim – Customer Service and Customer Service – non-claims related</p>
4		<p>I can understand all of the terms and conditions of my policy and understand my obligations.</p> <p>Claims denials (breach of condition) (FCA) Product disclosure information, (RC) Claim – coverage terms and conditions</p>	<p>My individual needs are considered when I need to use my policy.</p> <p>Adjustments made in line with policyholder declared adjustments</p>	<p>My claim was paid without unnecessary delays.</p> <p>Claims data (CR0301, 0302, 0303, 0304, 0306) Renewal rate (CR0022) (RC) Claim – delay</p>
5		<p>My excess was not unreasonable.</p> <p>Claims denials (CR0312) Renewal rate (CR0022) Claims volume/frequency (RC) Claim - quantum</p>		<p>It is easy for me to make a complaint.</p> <p>Complaints rate compared to claims rate Complaint Handling Performance Metrics - Complaints Initially Received by Lloyd's rather than Notified to Lloyd's by the Managing Agent</p>

6				<p>My complaint was dealt with in line with regulatory requirements.</p> <p>SLAs for complaint handling</p> <p>Renewal rate (CR0022)</p> <p>Complaint Handling Performance Metrics – responses issued within deadline</p> <p>DEX messaging sampling re referral rights</p>
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*Many policyholders never speak to their insurer unless they have a claim. Therefore all customer queries are valuable feedback and managing agents should understand why queries are made. Is the policy suitable? Is it understandable?