FAIR BY DESIGN
Ending the extra costs of being poor

CORONAVIRUS AND CUSTOMERS IN FINANCIAL DIFFICULTY: ADDITIONAL GUIDANCE FOR INSURANCE AND PREMIUM FINANCE FIRMS

OCTOBER 2020

INTRODUCTION

Fair By Design welcomes the FCA's invitation to comment on additional guidance for insurance and premium finance firms.

Please note that we consent to public disclosure of this response.

For more information about this response please contact Carl Packman, c.packman@barrowcadbury.org.uk.

ABOUT FAIR BY DESIGN

Fair By Design is a movement dedicated to reshaping essential services, like energy, credit and insurance, so they don't cost more if you're poor.

People in poverty pay more for a range of products including energy, through standard variable tariffs; credit, through pay day loans; and insurance, through post codes considered higher risk. This is known as the poverty premium.

We collaborate with industry, government, and regulators to design out the poverty premium.

Our Venture Fund provides capital to help grow new and scalable ventures that are innovating to make markets fairer.

Fair By Design was conceived by the Joseph Rowntree Foundation and Big Society Capital. The Barrow Cadbury Trust manages the Campaign, and Ascension Ventures manage the Venture Fund.

OUR RESPONSE

We are particularly interested in seeing insurance firms do everything they can to proactively help customers who are facing financial distress, even if those customers are not proactively taking steps to contact their provider themselves.

There are multiple reasons for why these customers are not being proactive themselves, including reasons that are related to that financial distress. As we know, financial distress takes many forms and has many impacts. This might include not feeling able to pick up the phone to contact an insurance provider.

We are especially glad to see a change from the previous guidance to insurance firms, regarding how "Firms should … consider if it would be necessary or appropriate to contact a customer to offer support where the customer has missed payments during the pandemic, even if they have not contacted the firm."

When Fair By Design supported this approach in our last response, we also pointed out that:

"This sets a positive precedent for how firms can be using customer data to prompt timely interventions and proactivity, rather than waiting for customers to approach firms with regards to financial difficulties."

Continued coverage after non-payment

We agree with the FCA that "Firms should not cancel insurance policies solely because of non-payment without first considering actions to support customers who may be in financial distress due to coronavirus (including actions in accordance with our expectations in section 4)."

As we added in our previous input on temporary measures for insurance firms:

> "It is vital that firms provide payment flexibility at this time. We share the concerns of our sector colleagues at Macmillan Cancer Support that people living with cancer or, indeed, any other life changing event face a crushing double impact – the severe financial impact of a life shock and now the potential to be placed on statutory sick pay and needing to access the benefits system for the first time. It is vital that their insurance needs, including claims being paid promptly, are met to avoid any further disruption during such a difficult time. This will require insurers to be flexible with payment plans to support vulnerable customers."

As a result, we think the FCA should make this the norm rather than just a temporary Covid-19 measure. Non-payment should not lead to a loss of coverage, without considering other actions to support customers.

The FCA must stress the option for interest freezes for those customers struggling to pay for their insurance coverage. In fact, we would consider it correct that anyone experiencing financial difficulty due to coronavirus should see their interest waived as a standard practice. We want the FCA to say this in the guidance.

Furthermore, we agree with the FCA that a firm should consider whether there are other products the firm can offer (which would better meet the customer's needs) and revise the cover accordingly. This is because, as the FCA has said, "a customer's needs may have changed because of coronavirus."

We think this is vital. It is in a firm's best interest's to do this. We feel that in time firms should be obliged to do this as a matter of course, as the norm and not just as a temporary Covid-19 measure. This is because a firm is much more likely to be able to know what products in its own suite are most suited to customers at particular times.

Forbearance measures

We are glad to see a range of forbearance measures listed by the FCA for customers in financial difficulties. We are also glad to see guidance stating that firms should not take a one size fits all approach.

Furthermore, we are glad to see it stated that "Firms should not consider a referral to a debt advice provider to be a substitute for working with the customer to come to an appropriate arrangement in relation to the customer's agreement, including a forbearance arrangement."

Monitoring for effective regulation

While these are very good guidelines, what's just as important is monitoring and enforcing these guidelines. We would like some more assurances from the FCA about how these important guidelines are being monitored.