

Minutes – Insurance Industry Steering Group

8 June 2022, Meeting held on Microsoft Teams

Financial Ombudsman Service attendees	Industry attendees
<p>Nausicaa Delfas, Interim Chief Executive & Chief Ombudsman (Chair of Insurance Industry Steering Group)</p> <p>Colin Douglas, Interim Communications Director</p> <p>Chandra Hirani, Head of Strategic Finance</p> <p>David Bainbridge, Head of External Relations</p> <p>Rachel Lam, Ombudsman Leader</p> <p>Andy Howell, Ombudsman Leader</p> <p>Suzette Browne, Policy and Communications Manager</p>	<p>Claire Cushing, Senior Governance Manager, Aviva</p> <p>Claudio Gienal, Chief Executive Officer, AXA UK and Ireland</p> <p>Tracey Gration, Risk & Governance Director, UK&I General Insurance, Aviva</p> <p>Karl Helgesen, Chief Claims Officer UK & International, RSA</p> <p>Bernie Hickman, Chief Executive Officer, Legal & General Retail</p> <p>Shaun Hicks, Chief Risk Officer, Zurich Insurance Group</p> <p>Colm Holmes, Chief Executive Officer, Allianz</p> <p>Caroline King, Customer Operations Director, Ageas</p> <p>Antonio Lorenzo, Chief Executive, Scottish Widows and Group Director, Insurance and Wealth, Lloyds Banking Group</p> <p>Christina Nestares, Chief Executive Officer, UK Insurance, Admiral Group Plc</p> <p>Mark Summerfield, Chief Executive Officer, Co-Operative Insurance</p> <p>Steve Treloar, CEO, Allianz Personal</p> <p>Nick Turner, Group CEO, NFU Mutual</p>

<p>Apologies</p>	<p>Tim Bailey, CEO UK, Zurich, Doug Brown, CEO, UK & Ireland Life Insurance, Aviva; Andy Curran, CEO Phoenix Group; John Foley, CEO, Prudential; Penny James, CEO, Direct Line Group; Ant Middle, CEO UK, Ageas; Ken Norgrove, CEO, UK & Ireland, RSA; Adam Winslow, CEO UK & Ireland, General Insurance, Aviva</p>
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Item	Agenda
1.	Welcome and introductions
2.	Key updates from the Financial Ombudsman Service
3.	Update on preparations for the FCA's New Consumer Duty
4.	Discussion - Financial Ombudsman Service 2023/2024 Funding Model
5.	Looking forward - the impact of the current economic environment and rising living costs
6.	Closing remarks and AOB

1. Welcome

- 1.1 The Chair welcomed attendees to the first meeting and re-capped on the purpose of the new industry steering group which can be found in the terms of reference circulated prior to the meeting.

2. Key updates from the Financial Ombudsman Service

- 2.1 The Financial Ombudsman gave an update on its change programme. As at the end of 2021/2022, it has reduced its total stock of cases from 164,529 to 112,000 and has cut the unallocated backlog of cases from around 90,000 to just over 37,000.
- 2.2 The Financial Ombudsman outlined some of its key areas of focus for 2022/2023 which include:
- Developing its technology and digital capabilities;
 - Refreshing its engagement with stakeholders including reinvigorating its Wider Implications framework; and
 - Continuing to make changes to clear its backlog more quickly, whilst noting the progress already made.

3. Update on preparations for the FCA's New Consumer Duty

- 3.1 The Financial Ombudsman confirmed that it is working closely with the FCA to align its understanding of the New Consumer Duty rules as they are developed.
- 3.2 The Financial Ombudsman will not apply the New Consumer Duty rules retrospectively.
- 3.3 The Financial Ombudsman planned to share case studies, which will be published during the implementation period once the New Consumer Duty rules are confirmed. It noted it was keen to engage with the industry on the New Consumer Duty.

4. Discussion - Financial Ombudsman Service 2023/2024 Funding Model

- 4.1 The Financial Ombudsman underlined its commitment to ensuring it has a funding model that is fit for the future, and more closely reflecting the actual cost of resolving different types of complaints.

- 4.2 The Financial Ombudsman reminded the group that in order to implement its change programme and reduce queues it needed to increase the levy and reduce the number of free cases for 2022/2023.
- 4.3 It then gave an overview of the options for its future funding model for 2023/2024 including proposals for:
- Updating the levy structure;
 - Updating the case fee structure;
 - Future funding ideas beyond 2023/2024.
- 4.4 The group welcomed the Financial Ombudsman's proposals to update the case fee structure by varying case fees, citing feedback from their teams that firms are currently charged a fixed fee of £750 regardless of how easy or difficult a case is.
- 4.5 The Financial Ombudsman explained that some costs are always incurred even for simple cases and so it is unlikely that the case fee will be zero.
- 4.6 The group also made the point that charging at different stages of the case lifecycle would work if implemented well but highlighted their concern that tiering the charges could create perverse outcomes.
- 4.7 The Financial Ombudsman outlined the timetable for its future funding consultation, encouraging the group to respond to the consultation formally.

5. Looking forward - the impact of the current economic environment and rising living costs, particularly for vulnerable consumers

- 5.1 Before the group discussed the impact of the current economic climate on customers and the support they have in place to help consumers, the Financial Ombudsman shared some of what it is currently seeing in its insurance casework in relation to:
- Consumers understanding what is covered by a policy;
 - The use of third-party claims handlers by businesses;
 - Misrepresentation and businesses needing to take a broader view on how and why consumers answer certain questions in the way they do;
 - GI pricing and businesses being clearer about articulating the factors that impact the price of insurance.
- 5.2 The group made several observations in relation to this and what they and the Financial Ombudsman might see in relation to the cost of living crisis and current economic climate:
- Regarding the use of third-party claims handlers, the group noted evidence of third parties representing themselves as the insurer and agreed it would be interesting to explore customers' awareness of this further as well as whether this insight could be shared with the FCA.
 - Regarding misrepresentation, the group noted the role the media and commentators play in encouraging consumers to present information in a certain way in order to get the best possible price. There were concerns this could lead to the wrong behaviours, including concerns this could lead to misrepresentations being made by consumers.
 - The group discussed that it would be helpful to explain how big or small the insurance safety net becomes when consumers vary their answers to insurance policy questionnaires.
 - All agreed that fraud could become an increased risk as it is not unusual to see an increase in fraud activity during times of financial hardship.

- All agreed of the need to be mindful that many consumers are not familiar with or do not understand what inflation is and therefore its impact.
- The group felt they are likely to see an impact on complaints because people are unhappy with the length of time it is taking to deal with their insurance claim, e.g. because of the time it takes to source materials.
- In relation to buildings insurance, there are concerns that the increased risks of insuring buildings with unsafe cladding would not only lead to an increase in the insurance premium but also the commission paid by businesses to their broker. There were concerns about the transparency of this practice, whether it was fair and the impact on consumers.

6. Closing remarks and AOB

- 6.1 The Chair thanked the group for the discussion and the group agreed to meet on a bi-annual basis.
- 6.2 The Chair closed the meeting.