



FINANCIAL REGULATOR
Rialtóir Airgeadais

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6 July 2009

Re: Themed Inspection: Payment Protection Insurance – Claims Processing

Dear «Greeting»,

As you may be aware, the Financial Regulator carried out a series of inspections of selected insurance firms during the first quarter of 2009, focussing on reviewing the procedures and processes in relation to claims handling on Payment Protection Insurance (“PPI”) policies. The purpose of this letter is to provide the insurance industry with feedback in relation to the Authorised Officers’ findings on those visits. We hope that it will be of assistance to you in developing and ensuring your own firm’s compliance. Accordingly, we would ask you to consider the issues set out below and their relevance to your firm.

1. Firms need to ensure that policy terms and conditions are communicated as clearly as possible to consumers. While terms and conditions and policy documentation provided to consumers are typically written in plain English and should be understandable, it would appear that consumers may not be reading such documents in detail. Accordingly, the product provider must impress on the sellers of such policies that the key product information should be properly communicated at point of sale.
2. Firms must stress to the sellers of their products that,
 - a. as the highest number of declined claims on illness/disability grounds are due to claimants’ pre-existing medical conditions, and

- b. as the highest number of declined claims on unemployment/redundancy grounds is due to employment criteria not being met by claimants,

it is vital that the relevant exclusions – together with qualifying periods at the start of policies – are highlighted to the consumer at the point of sale.

3. It is acknowledged that firms have made provision in terms of staff and resources to ensure that, despite the large increase in the volume of claims and enquiries, the required Consumer Protection Code timelines have been complied with. However, it is important that firms continue to monitor the situation to ensure that the timelines in the Code continue to be complied with.
4. Firms, especially those who handle claims for both Irish residents and overseas customers, should ensure that all documentation and correspondence is appropriate for their customer, and in particular that documentation for Irish resident consumers should only refer to relevant Irish institutions, legislation, practices and procedures.
5. Requests for claim forms from customers and the dispatch of the forms must be logged by firms to ensure that compliance with **Requirement 15 (b) of Chapter 5** of the Code (*“where a claim form is required to be completed, it is issued within 5 business days of receiving notice of a claim”*) can be verified.
6. Firms should ensure that the sellers of regular premium PPI products are fully aware that the premiums for these policies are not guaranteed and can increase. Firms should impress on the PPI sellers that this should be highlighted in any product sales material.
7. The present practice across the PPI industry is that firms do not gather information from customers on state of health or medical history at point of sale. Rather, this information is analysed at the time of a claim being assessed. Firms need to ensure that this practice, and its consequences in relation to claims handling, are fully explained to consumers at point of sale. The Financial Regulator asks firms to consider whether the level of declined claims could be reduced, and so consumer satisfaction increased, if all relevant medical information was assessed when the policy is sold. Such a move would potentially lead to greater certainty in relation to claims for consumers.
8. In the course of the onsite inspections it was noted that claims can be delayed when the firm is waiting on information which can verify a claim from third parties such as doctors and past

employers. Firms should endeavour to come up with solutions in these circumstances to ensure that consumers are not disadvantaged due to delays on the part of third parties in supplying claim related information.

We appreciate that not all of the issues referred to in this letter may be applicable to your institution. We ask that these findings are brought to the attention of your Compliance Officers and are incorporated into your review of your institution's compliance with the Consumer Protection Code.

Should you have any queries in relation to the contents of this letter, please contact Joe Morley at joe.morley@financialregulator.ie.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. O'Brien', written in a cursive style.

Adrian O'Brien
Deputy Head of Consumer Protection Codes