



Guernsey Financial
Services Commission

General Insurance – Are Customers Treated Fairly?

Thematic Review 2018



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1. Executive Summary

The Commission is pleased to present the findings of its 2018 Thematic Review of “General Insurance – Are Customers Treated Fairly?”

Other than an earlier thematic review to consider the specific issue of insurance add-ons, this is the first thematic carried out by the Commission looking at the treatment of customers by licensed general insurance intermediaries. In conjunction with an industry questionnaire and onsite visits, it is also the first thematic that has included a survey of the general public, and a review of firms’ websites.

Apart from the multiplicity of sources, the Thematic Review covered a wide range of topics relevant to the overall customer experience, including culture, disclosure, sales, claims and complaints.

The findings of this Thematic Review, based on the responses to the industry questionnaire and public survey, together with discussions and review during onsite visits, indicate that the Bailiwick’s general insurance brokers are, as a whole, making a genuine attempt at compliance in all areas and generally succeeding. This is a good outcome.

Nevertheless, compliance standards varied from firm to firm and topic to topic and there are areas where improvements can be made. The Commission will want to see material positive changes across a range of topics, and envisages that all licensees will use this thematic report to chart their own practices against our findings, and take steps to make improvements where weaknesses are identified.

Comments received from respondents to the public survey also raised a number of points that the Commission feels should be clarified, but are not specifically covered in the scope of this report. These are addressed in the Appendix to this report. The information and clarifications contained therein will also be published on the consumer pages of the Commission’s website.

2. Background

In 2015, the Commission’s Banking and Insurance Division undertook a thematic review of general insurance add-on policies. As a result of that review, the Commission prohibited the sale of add-on products on a mandatory inclusion, or opt-out basis. The Commission also determined that the Code of Conduct for Authorised Insurance Representatives (“the AIR Code”) in force at the time did not reflect current industry practices, and undertook to review the AIR Code. Following an extensive review and engagement with the industry, the new AIR Code came into force on 1 April 2017.

The Banking and Insurance Division's prime objective in selecting the theme for this review was to consider the culture of treating customers fairly, and the measures taken by the sector to adopt the requirements of the new AIR Code.

3. Scope

The fair treatment of customers is a fundamental responsibility for insurance intermediary licensees and a key factor of the level of conduct risk exhibited by a firm.

The purpose of this thematic is to consider the top-down culture of insurance intermediaries advising on, or arranging policies of general insurance for the general public, and firms with less than 250 employees.

4. Approach

The thematic review consisted of:

- An industry questionnaire issued to all general insurance intermediaries
- A public survey
- A review of the websites of all general insurance intermediaries
- Onsite visits to 8 general insurance intermediaries

There are 30 entities in Guernsey and 6 in the UK that are licensed by the Commission to advise on and/or arrange contracts of insurance for Bailiwick residents. Of those 36, 31 are licensed to advise on and/or arrange contracts of general insurance.

4.1. Industry Questionnaire

The questionnaire was sent to 31 firms. 3 firms indicated they would not be completing the questionnaire, either because they were recently licensed, or general insurance business was secondary to their primary business, and only a small amount of business has been arranged.

The questionnaire sought to gather information from licensees regarding the nature of their business and client base as well as the firms' policies and procedures. Firms were also asked to provide examples of new business and renewal documentation, the firm's terms of business document and complaints log.

4.2. Public Survey

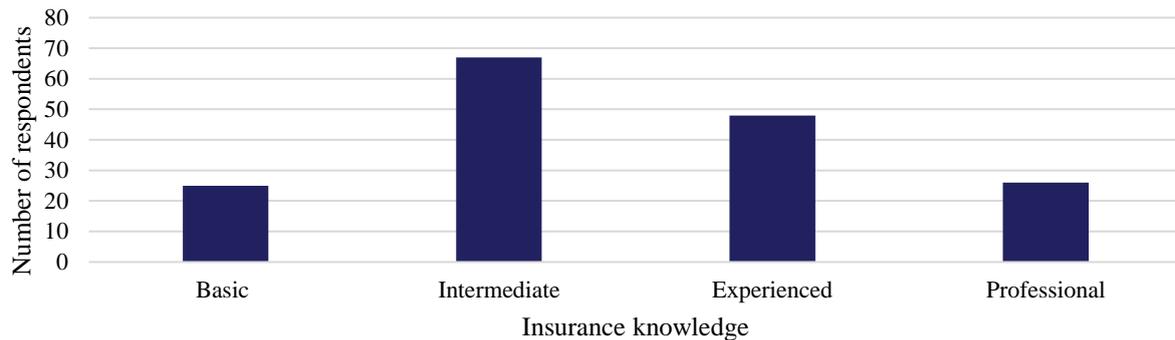
The Commission launched its first public survey on 12 July 2018. The purpose of the survey was to enable the public to contribute their personal experiences in purchasing and renewing insurance products and when making claims. It was anticipated that responses to the survey would identify common trends that would be explored during the onsite visits.

The survey was completed by a total of 168 individuals. One response was excluded due to the respondent not being resident in the Bailiwick, nor having purchased an insurance policy in Guernsey or via a Guernsey broker.

The number of respondents relative to the total population of insurance intermediary customers may be insufficient to draw firm conclusions regarding the matters raised in this report. In addition, the Commission did not take active steps to secure an entirely representative cross-section of insurance buyers, for example by seeking responses from specific demographics or groups. Nevertheless, the Commission views the survey as a useful indicator of potential areas where improvements could be made to the customer experience.

The Commission's public survey asked respondents to categorise their own knowledge of insurance;

Public Survey - "What is your knowledge of insurance?"



15% of respondents stated they had a basic knowledge of insurance and relied entirely on brokers, family or friends to assist with all or most insurance matters.

40% of respondents categorised themselves as having an intermediate knowledge of insurance, i.e. they would be comfortable checking basic details are correct, but rely on their broker to assist with queries regarding the policy.

29% of respondents identified themselves as being experienced, which, for the purposes of the survey was described as being comfortable in identifying insurance needs and checking policies, but relying on a broker for technical matters.

The public survey offered the opportunity to all respondents to nominate a charity to receive a £50 donation. A charity was drawn, at random, and the donation was made to Les Bourgs Hospice.

4.3. Website Review

The Commission carried out a desktop review of the content, services and accessibility of the firms' websites. The websites of 31 general insurance intermediaries were reviewed to identify what online services, documentation and other information was available to users of the intermediaries' websites, and how it was presented.

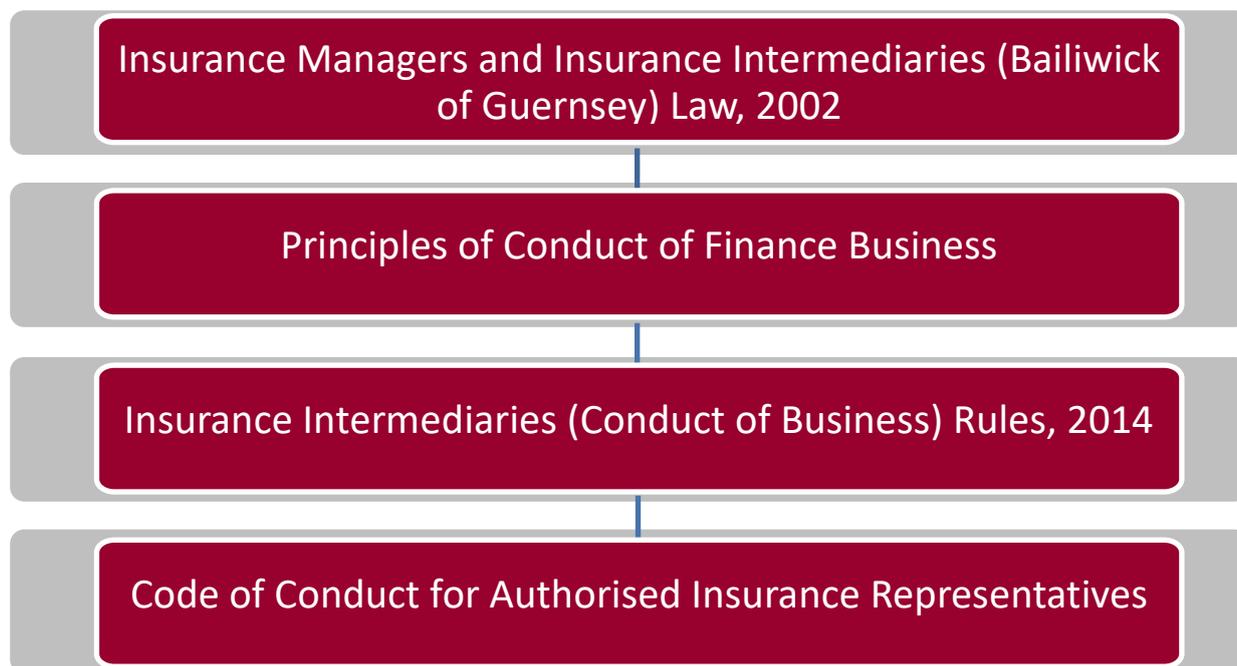
4.4. Onsite Visits

Commission staff carried out one-day visits to 8 general insurance intermediaries. We sought to visit firms representing a cross-section of the industry. The firms were selected based on the size of the firm (turnover and number of customers), its client base, the firm's responses to the industry questionnaire and our website review.

Each onsite visit consisted of a discussion with directors, senior management and compliance officers to clarify questionnaire responses where necessary, and to gather information on the firm's culture of treating customers fairly. We also held separate meetings with at least two Authorised Insurance Representatives ("AIRs") to discuss how they interact with customers, the information gathered from and provided to customers, how they identify and report complaints, and how they may identify and assist vulnerable customers. The AIRs were also asked to show us, either via electronic or paper files how information is recorded, such as copy documentation, notes of conversations and instructions received from the customer.

5. Regulatory Framework

The provision of advice and the arranging of general insurance products for customers by an insurance intermediary business requires adherence to the following:



The Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law 2002 (“the IMIIL”) is the primary legislation for the regulation of insurance intermediaries, and sets the minimum criteria for licensing. Section 16 of the IMIIL states that only an AIR is permitted to advise on, or arrange a contract of insurance by way of business or in the course of employment.

The Principles of Conduct of Finance Business (“the Principles”) are a set of high level principles that apply to all financial services businesses regulated in the Bailiwick.

The Insurance Intermediaries (Conduct of Business) Rules (“the Rules”) are the rules applied to firms conducting insurance intermediary business.

The AIR Code is the code that all AIRs should follow when advising on, or arranging contracts of general insurance.

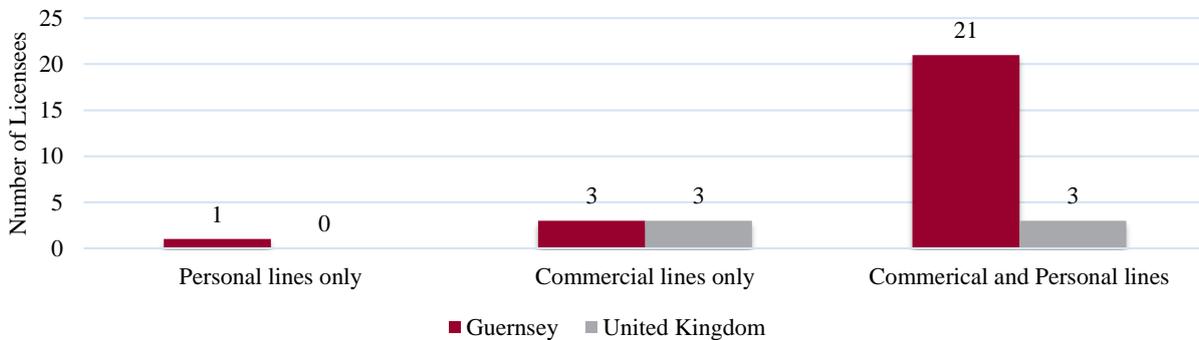
6. Industry Overview

In this section we provide an overview of the insurance intermediary industry in the Bailiwick.

At the date of this report, there are 36 companies licensed by the Commission under the IMIIL to advise on and/or arrange contracts of insurance. Intermediaries are split into two classes – general insurance and long term insurance. General insurance is further separated into two sub-classes, personal lines and commercial lines.

There are 31 intermediaries that are licensed to advise on, or arrange contracts of general insurance. 25 of those firms are either incorporated in Guernsey, or have a physical presence in the Bailiwick. The remaining 6 firms are incorporated in the United Kingdom, and do not have a physical presence in Guernsey. These firms are licensed to enable the firm and its AIRs to solicit business in the Bailiwick.

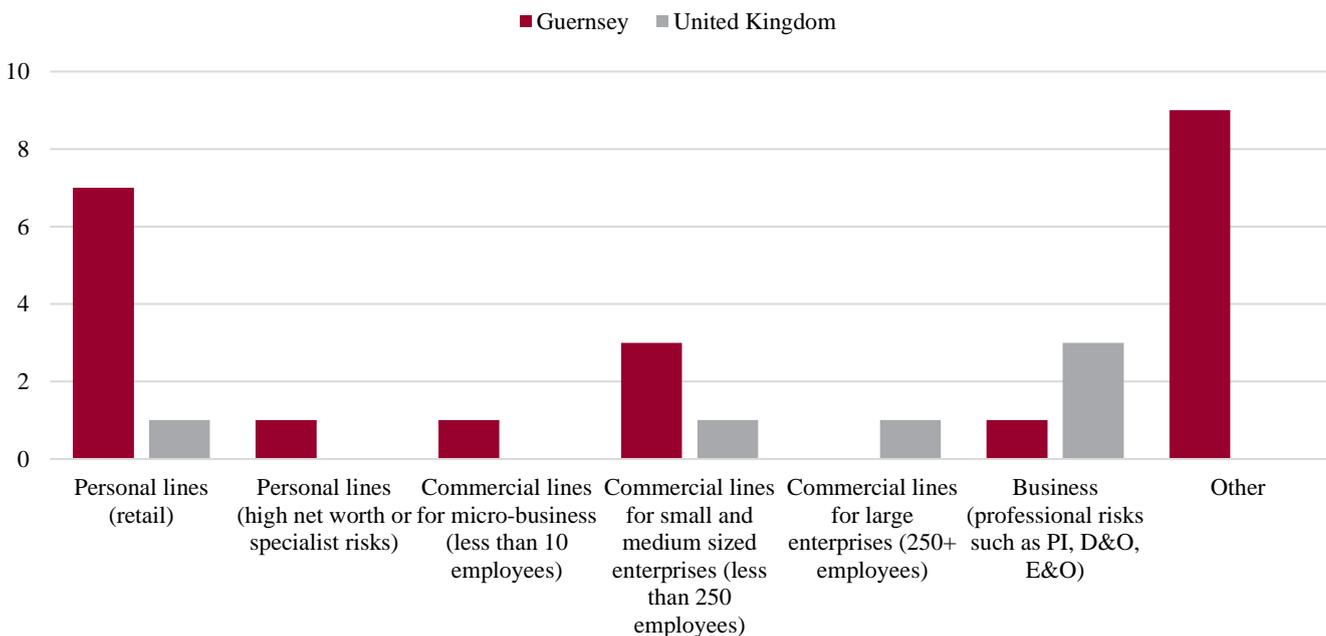
Analysis - General insurance intermediary licence by place of incorporation



This chart shows the breakdown of licensee categories and their locations.

The chart below shows the main business focus of the intermediaries in the Bailiwick and the UK as declared by the firms in the industry questionnaires.

Industry Questionnaire - "How would you describe your firm's client base?"

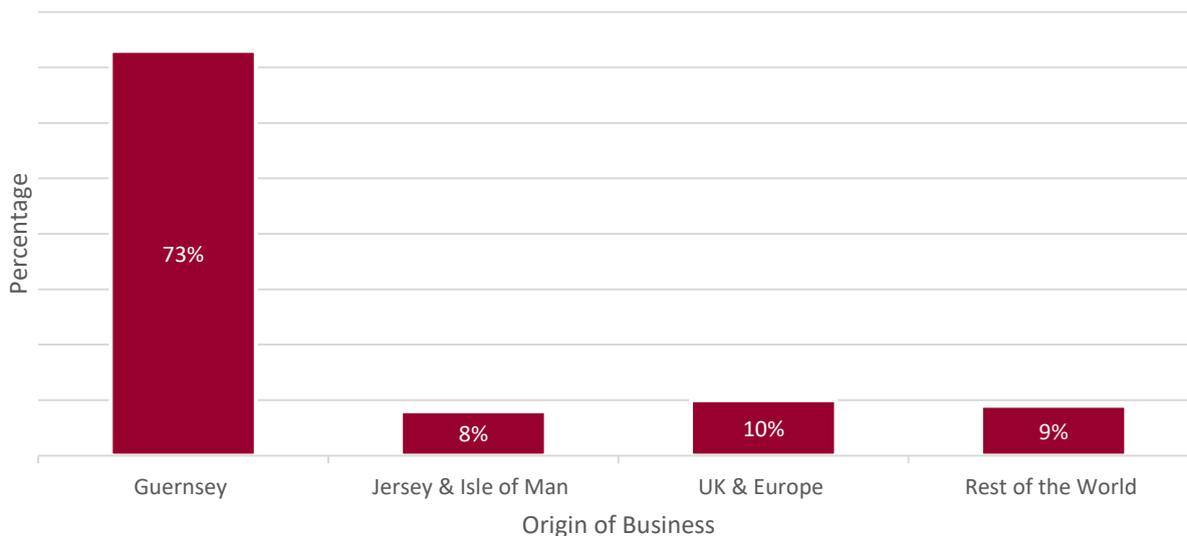


For the purposes of this report, personal lines means policies purchased by private individuals for their personal property, e.g. motor, household and travel insurance.

Commercial lines means policies purchased by a company, usually to cover property and liability risks and will be relevant to a large proportion of companies. Business (professional risks) is considered separately due to the specialist nature of such products.

Those firms that indicated “other” were largely comprised of composite brokers offering services to all of the options provided, and not focussing on any one area.

Analysis - Income From General Insurance Business (%)



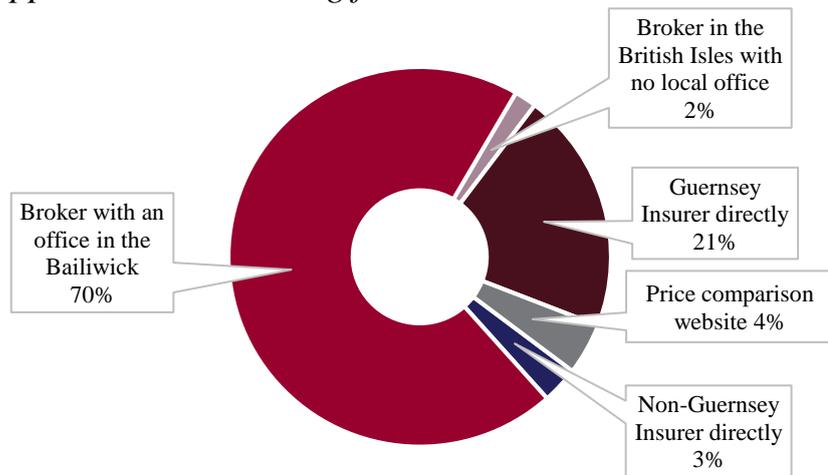
Data extracted from the most recent annual returns submitted by firms to the Commission shows that approximately 73% of income from general insurance broking originates from customers or risks in the Bailiwick. Motor insurance represents 18% of the total income, buildings insurance producing circa 11%, commercial property risks produced 15% and liability policies generated 11%. The largest income source was from other types of commercial policies (e.g. business interruption, professional indemnity), at 25%.

Please note that the firms have different financial year-ends, and therefore the figures provided are only an indication, and do not represent the gross figures for a particular period or calendar year.

At the date of this report, there are 272 individuals authorised by their employers to provide advice on, and arrange, general insurance products for Guernsey residents and companies.

The responses to our public survey showed that local brokers are the favoured choice when looking for insurance, and mirrored the perceptions of the intermediaries established in the industry questionnaire that a majority of the public prefer to speak to someone locally.

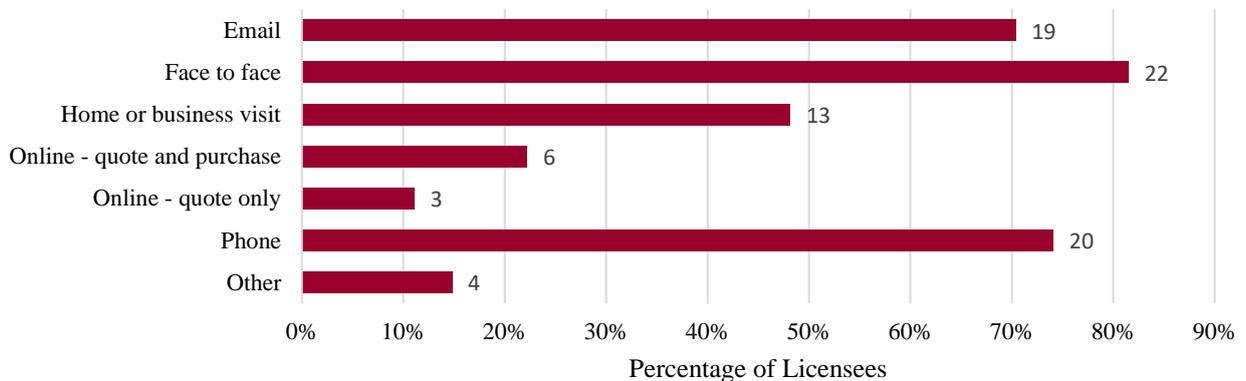
Public Survey - "Who do you normally approach when looking for insurance?"



The table below shows the sales channels offered by intermediaries. The majority of firms offer long established channels, such as by phone and in person, but online quote and buy is still a relatively new offering in the Bailiwick and has not yet been widely adopted, with only 6 firms currently offering this option, and this facility is often limited to a single class of business, usually travel insurance.

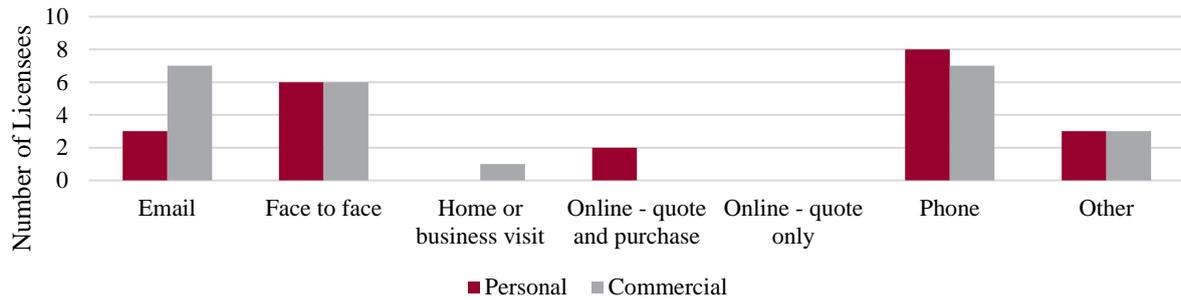
but online quote and buy is still a relatively new offering in the Bailiwick and has not yet been widely adopted, with only 6 firms currently offering this option, and this facility is often limited to a single class of business, usually travel insurance.

Industry Questionnaire - "Through which sales channels does your firm offer general insurance products?"

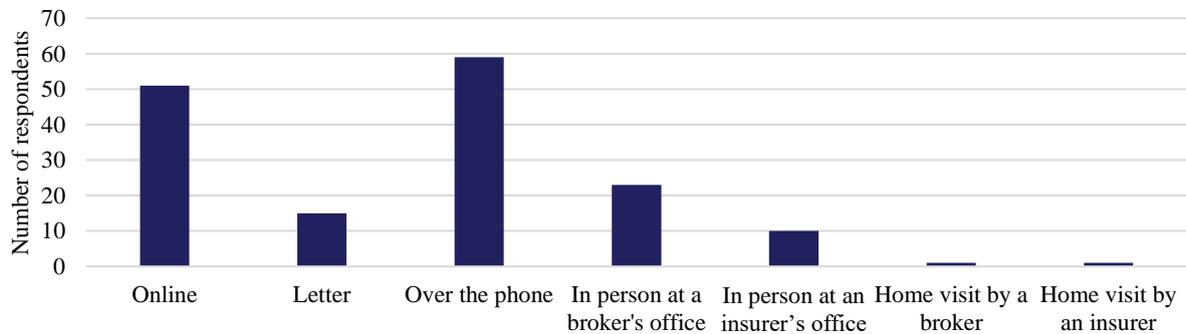


When we look at the most popular sales channels, firms and survey respondents tell us that telephone is the most frequently used channel for personal lines, and this is likely due to relative ease of access to the offices of brokers when compared to other markets. Online has become a popular choice for those firms offering the facility. For commercial lines, phone and email are the preferred channels.

Industry Questionnaire - "What is your firm's most commonly used sales channel?"

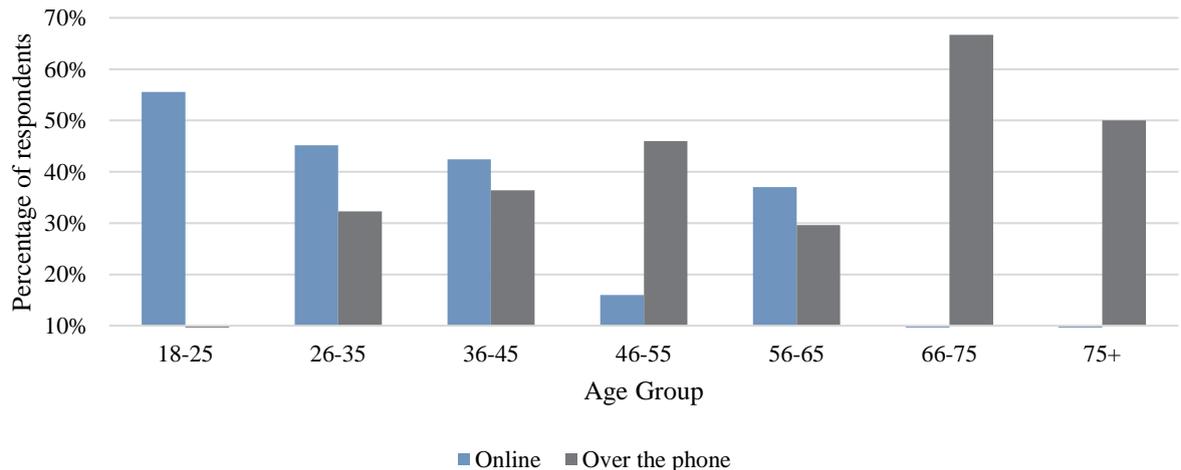


Public Survey - "How do you normally arrange your insurance policies?"



We carried out an analysis of age against method of purchase and it is unsurprising that younger age groups were more likely to purchase online, with older generations arranging policies over the phone.

Analysis - Age in comparison to purchase method



We undertook further analysis to ascertain if there was any link between age, purchase method and the type of policy being purchased. This analysis showed us that there was no notable link from our data sample.

6.1. Challenges facing Industry

During our visits to licensees, we asked firms if there was any demographic for whom it was particularly challenging to source a suitable policy. A number of firms stated that arranging travel insurance for customers over the age of 70 was often problematic. This is a sector of the market where there is a limited range of insurers prepared to write business and if offered, it is likely to be expensive or have significant exclusions. With an ageing population, and that population being able to travel at an older age than previously possible, this is a growing issue facing all brokers and insurers and is not limited to the Bailiwick. Any change in this market will be led by the insurers and the demands of their policyholders.

Other firms commented during our discussions that it was becoming increasingly difficult to recruit staff into the insurance industry, primarily due to competition from other sectors. This has been a common theme for a number of years, and is not limited to general insurance or intermediaries.

7. Have Firms Taken Reasonable Steps to Adopt the New Code of Conduct for Authorised Insurance Representatives?

The Commission reviewed adoption of the new AIR Code to examine whether firms had taken reasonable and sufficient steps to implement the requirements of the AIR Code. Broad compliance with the AIR Code was generally found across the industry but the following observations in respect of certain new elements of the AIR Code were made.

7.1. Disclosure of Prior Year Premium

All of the firms visited had taken steps to include the prior year premium on renewal documentation as required under the AIR Code. The method of implementation varied from firm to firm.

Some firms encountered difficulties in adapting templates and software generated letters due to software restrictions. Those firms had placed the prior year premium in other documents that would be issued with a renewal notice, which may be missed by the customer. Other firms placed the premium on the covering letter, together with the renewal premium, any charges and/or add-ons premiums where applicable.

During the visits, one firm queried exactly how the prior year premium should be disclosed, e.g. should the form disclose the primary risk premium only, or disclose the primary risk premium with any charges or add-on premiums that were charged in the prior year.

The AIR Code requires an AIR to confirm the customer's existing cover and the prior year premium. As stated in our report to industry of December 2015, any add-on is to be treated as any other insurance policy, and therefore if the customer purchased an add-on in the prior year, this should also be disclosed.

Using the sample renewal documents received with the industry questionnaire, we reviewed the prior year premium disclosures for policies sold with the most frequent add-on policies, being legal expenses with motor and household policies, and breakdown cover for motor vehicles. None of the documents reviewed had disclosed the prior year premium for the add-on.

Whilst the AIR Code does not specifically require disclosure of any administration charges applied in the prior year, for the sake of transparency, administration charges, and any other charges should be disclosed to enable the customer to compare renewal terms on a like for like basis.

7.2. Insurance Add-ons

Following the Commission's 2015 Thematic Review of Insurance Add-ons, the Commission's report asked firms to cease the practice of mandatory inclusion, and/or opt-out of add-on products. This was formalised with the AIR Code when it came into force on 1 April 2017. The AIR Code also included transitional provisions, requiring firms to obtain positive opt-in for add-ons at the next renewal where none had been obtained previously.

From our review of documentation received with the industry questionnaire, and our visits to firms, it was sometimes difficult to ascertain where positive consent to an add-on had been obtained, especially for existing customers who had renewed a policy during the transitional period.

Firms should be able to evidence that a customer has positively chosen to purchase the add-on policy, either at inception for a new customer or a new add-on, or the customer has previously opted in to an add-on where a policy is being renewed. If the firm has no record, or is otherwise unable to evidence a customer positively choosing an add-on, then the firm should obtain consent at the next renewal.

For the avoidance of doubt, providing the customer with a total sum payable, which includes an add-on premium, then asking the customer to deduct the add-on premium if it is not wanted would constitute an opt-out purchase, and therefore would not satisfy the requirements of the AIR Code at inception of an add-on.

7.3. Training and Competency

The Rules require that a relevant firm has a training and competency scheme in place, which should include a structured and documented assessment of an AIR's competency to perform that role. The Rules state that a licensee shall ensure that relevant employees receive comprehensive training to ensure competence for duties. The Commission has published a training and competency guidance note to assist in the creation of a scheme.

The Commission did not seek to make an overall assessment of the firms training and competency schemes, but focussed on the training provided to AIRs following the introduction of the AIR Code.

We asked the management and AIRs at the firms visited what training had been provided leading up to, and following the introduction of the AIR Code on 1 April 2017. The training provided ranged from AIRs being required to read the AIR Code and sign a declaration, to a guided line-by-line review of the AIR Code, and one firm carried out testing of the AIR requiring the AIR to obtain an 80% pass mark.

The Commission ran a series of workshops for AIRs in 2017, to provide them with details of the AIR Code changes and what was expected. 98 AIRs, approximately one third of AIRs at that time, attended the workshops.

7.4. Conclusion

7.4.1. Findings

Overall, the Commission found that firms have taken reasonable steps to adopt the new AIR Code, however there are areas where improvements can be made.

Firms have adopted the requirement to disclose the prior year premium for the primary policy, however, in some cases, the firm would benefit from reviewing how this is disclosed to ensure it is clear to the customer, and firms should include the prior year premium for any add-ons the customer chose to purchase in the previous year.

Firms appear to have adopted the opt-in approach for new customers and/or the addition of add-ons at the renewal of a primary policy, however, evidence of the positive opt-in was frequently lacking. Firms should review their policies and procedures in this respect, and take steps to strengthen their recording of customer agreement.

The board of the firm is responsible for the authorisation of its AIRs, and may only authorise an employee as an AIR once the firm has satisfied itself that the employee is competent to perform that role.

Whilst all AIRs interviewed were aware of their employer's own policies and procedures, which the Commission would expect to be compliant with the AIR Code, some AIRs appeared to not be aware of key requirements of the AIR Code, and were reliant upon the firms' procedures for compliance.

Based on our discussions with management and AIRs, the Commission is concerned that AIRs have not been provided with adequate training, in particular in respect of the AIR Code and other relevant legislation, such as the requirements of the Rules in relation to complaints. However, the Commission did not identify any specific issues with the actions of AIRs that would put a customer at a disadvantage.

The AIR Code is fundamental to the activities of an AIR, and the firm should ensure, as part of its ongoing training and competency scheme that AIRs have sufficient knowledge and understanding of the AIR Code.

7.4.2. Areas for Improvement

The Commission identified a number of areas across multiple firms where steps could be taken to improve the customer experience. These are summarised below:

- Firms should disclose to customers the prior year premium for add-on policies where the customer has chosen to purchase an add-on;
- Firms should be able to evidence where a customer has positively chosen to purchase an add-on; and,
- Firms should review their Training and Competency Schemes to ensure that training provided to employees is appropriate and effective.

8. Do Firms Have a Top-Down Culture of Treating Customers Fairly?

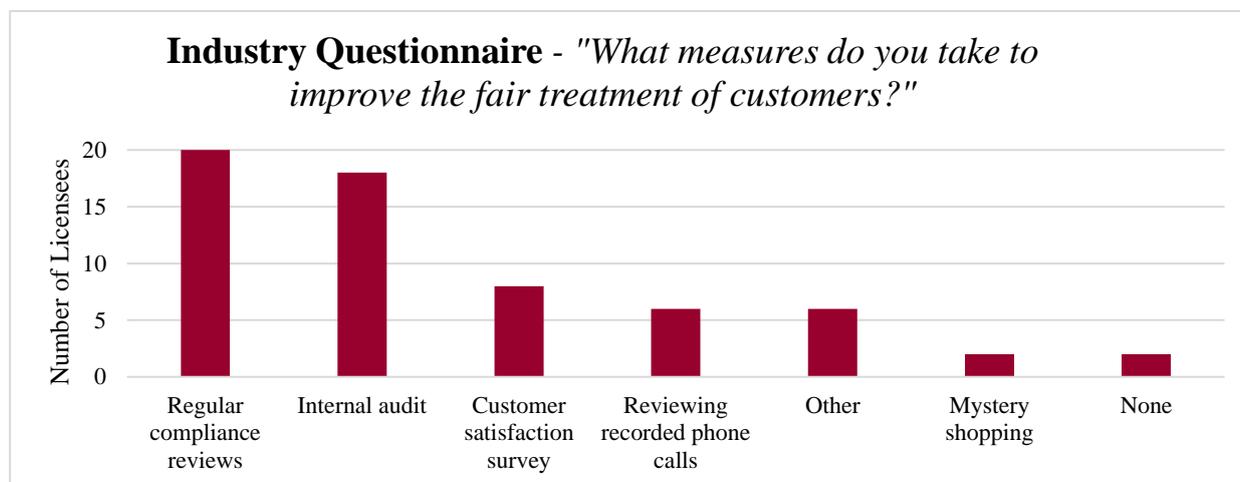
The AIR Code introduced a broad requirement for AIRs to treat any person or organisation with which they deal fairly, and above all, to treat customers fairly.

We looked at various aspects of firms' governance and compliance to gauge the steps taken and controls in place to ensure AIRs are guided by their duty to the customer rather than their own interests, those of their employers or those of the insurers.

8.1. Customer Experience

When seeking a new policy or renewing an existing policy on behalf of a customer or assisting in making a claim, the broker is acting on behalf of the customer, and should act in the customer's best interest.

Firms were asked what steps were taken to monitor, review and improve the fair treatment of customers.



The results of our industry questionnaire show the most common tools to be internal audit and regular compliance reviews, which are vital to monitor and ensure compliance with laws and regulatory requirements as well as an AIR's compliance with a firm's own policies and procedures. This type of review will usually be conducted through file and documentation reviews.

Our industry questionnaire showed that relatively few firms use methods that have direct input from their customers. Measures, such as customer satisfaction surveys, mystery shopping exercises and call recording may prove more effective when considering the customer experience, as they may provide a more realistic view of an AIR's interaction with their customers and can be a valuable tool for a firm in considering the fair treatment of customers by the firm's AIRs.

The recording of telephone calls can also provide a firm with evidence of discussions and conversations with customers in the event of a complaint or dispute.

Our industry questionnaire showed that 75% of the respondents currently do not record telephone calls, however, 6 of these firms intend to introduce call recording within the next 12 months.

We asked firms if they had documented and measured internal service standards against which the staff are monitored. The most common standard in place (63%) related to the issuance of renewal notices, which is not surprising as issuing renewal notices in sufficient time is a requirement of the AIR Code. 14 (52%) of the firms that responded stated that the issuance of key documents was monitored. Other measured service standards noted related to providing quotations (30%) and responding to queries (26%).

Of the firms that responded, 6 (22%) stated that they did not have any documented or measured internal service standards.

8.2. Remuneration Policies

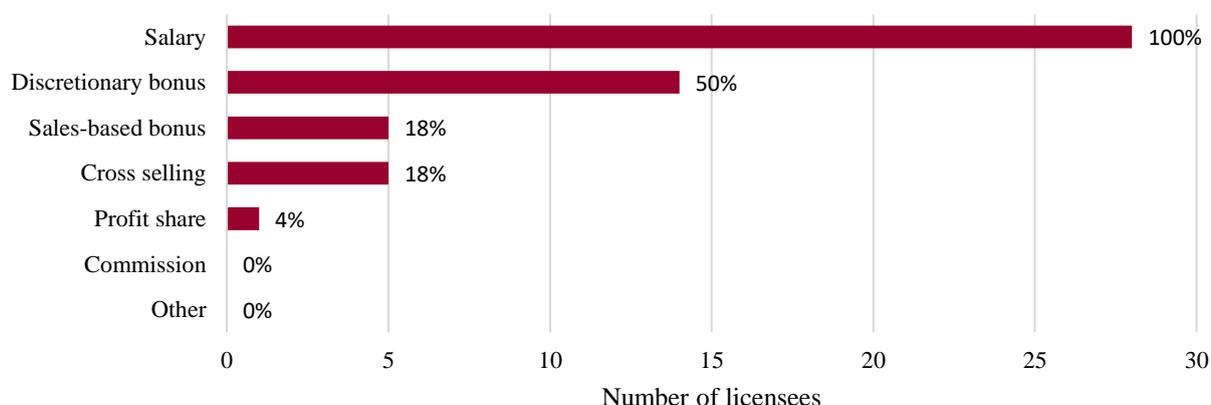
A firm's remuneration policy can be a key indicator of its culture of treating customers fairly. Firms that offer sales incentives to AIRs may present an increased risk of mis-selling, especially where a monetary value is placed on sales, e.g. a fixed sum per policy sold, or a bonus when a specified target is reached.

If proper controls and monitoring are not in place, there is an increased risk of mis-selling by AIRs to enhance or subsidise their personal income where bonuses are directly related to metrics such as number of policies sold or gross premium written.

Sales-based bonuses should be carefully monitored against documented policies and procedures to ensure that AIRs are not incentivised to recommend unsuitable or unnecessary products in order to bolster their personal income.

The graph below details the responses received from licensees, showing that 100% of AIRs receive a salary, and 50% receive a discretionary bonus with no direct link to sales numbers.

Industry Questionnaire - "How are AIRs remunerated?"



5 firms indicated that AIRs may receive bonuses related to sales. The Commission visited three of the firms that indicated they operated a sales-based bonus scheme in order to gain further understanding of how those schemes were structured and monitored. Two of these schemes were directly related to individual sales performance, and the third related to overall growth.

Based on our discussions with the firms, there appeared to be sufficient controls in place to mitigate the risks posed by the sales-based bonus schemes that were reviewed during the onsite visits. The Commission's opinion is that the relative value of bonuses is insufficient to make a material difference to an AIR's income and therefore unlikely to incentivise mis-selling. It is also noted that general insurance policies are usually sought by the customer for a specific purpose, and firms do not contact customers, or potential customers on a speculative basis.

In practice, we did not identify evidence of undesirable sales behaviour.

8.3. Vulnerable Customer Policy

AIRs should recognise that some customers may be classed as vulnerable and take reasonable account of their needs. 61% of firms stated that they had a written vulnerable customer policy in place. The other firms provided staff with training on dealing with vulnerable clients. We asked firms to provide us with a summary of their policy, where applicable, and the majority of those firms have identified similar areas for consideration – mental or physical disabilities, age, non-English speaking individuals, life events and debt. During onsite discussions it was also clear that where policies were in place, it was recognised that there is no one-size fits all approach, and each case must be considered on its own merits and managed accordingly.

During onsite visits, we asked AIRs how they would assist a vulnerable client. A range of responses were received in respect of the identification of vulnerable customers and the types of assistance which might be offered. The elderly, hard of hearing or visually impaired were common examples provided of potentially vulnerable customers, while other responses gave the examples of financial hardship leading to missed premium instalments and customer illiteracy.

One firm's system supported a feature to help AIRs identify where a customer may be vulnerable. The system guides an AIR when dealing with the customer to ensure that the customer receives information in a way that would enable them to understand what was being recommended.

Our review of the firm's websites concluded that none of the websites had easily visible accessibility options, such as large font, colour-blind and/or high contrast options or read-aloud options. It is noted that some options, such as page zoom are built-in to some web browsers. One firm's website was especially difficult to read due to the font and background colours used.

8.4. Terms of Business

The Commission reviewed the terms of business provided by each firm. Terms of business documents are presented in a wide variety of methods and formats guided by various influences.

The purpose of the terms of business is to provide the customer with a documented record of the terms on which a firm is prepared to provide the activities proposed to a customer.

The Commission does not prescribe the format or content of the terms of business document, with the exception of the requirements under sections 4 and 5 of the Insurance Managers and Insurance Intermediaries (Client Monies) Regulations, 2008, which requires that firms enter into a terms of business agreement with each of its clients, which sets out the terms and conditions relating to the handling of money contained in the client account, including the treatment of interest accruing on client money.

For brokers with offices or a parent company in other jurisdictions, regulatory requirements in other jurisdiction may influence the content and format of the terms of business document. Terms of Business may also be guided by the nature of insurance business being placed and the customer profile.

Our review raised a number of concerns with the terms of business document, which are detailed below;

8.4.1. Format

It is not uncommon for firms to provide their terms of business on the reverse of company letterhead paper. Whilst this ensures it is included with any written correspondence, this method of providing the terms of business can create potential issues.

A firm may not be able to react quickly or efficiently to a change in business practice or regulatory changes that require an amendment to the terms of business. The firm is likely to want to exhaust its existing supply of letterhead stationery, and may therefore be providing customers with out dated terms of business, or it would be forced to discontinue use of, and dispose of existing stock.

Terms of business produced in this way also tend to utilise a light font colour to avoid it showing through to the face of the letter, making the terms potentially difficult to read, and easy for the customer to miss. In addition in order to attempt to include the full wording on a single page, a reduced font size may be used, which can also result in difficult to read text.

A standalone document, with robust version control, can minimize the risks posed by the above, however these can also create their own risks. The use of small fonts in order to reduce the number of pages makes the document hard for customers to read, and most firms will apply their own branding to the document, which can result in similar text and background colours overlapping and resulting in low contrast text.

8.4.2 Document length

The terms of business documents reviewed ranged from 1 to 22 pages. Those firms with longer documents (10+ pages) tended to be specialist, commercial, or professional risks brokers which may be providing a wider range of services, or a more bespoke service. Alternatively, if the firm is licensed in multiple jurisdictions, a longer document is also usually unavoidable. Other firms offered additional services to general insurance broking, and the terms of business reflected those other services provided by the firm, such as long term insurance and/or investment advice.

Those firms offering services to the general public were shorter, usually around 2 pages, but some examples were seen that reached up to 11 pages.

Excessively lengthy documents are highly likely to deter the customer from reading the full terms of business, and therefore the customer may be missing important information.

8.5. Conclusion

8.5.1. Findings

A firm's culture is determined by its board, its management team and the policies, procedures and controls they put in place. Overall, the Commission is of the opinion that firms generally demonstrate a top-down culture of treating customers fairly.

The Firm's policies and procedures should encompass the requirements of the Rules, AIR Code and Principles to ensure that the fair treatment of customers is at the forefront of the service that they provide.

The Commission expects all firms to have formalised and documented compliance reviews, or internal audit to ensure compliance with the Law, Rules, Principles and AIR Code. However, firms could also consider other measures, such as documented service standards, call recording, or customer focussed feedback, whether in the form of mystery shopping or customer satisfaction surveys to obtain real world feedback, to enable a firm to identify where it may be able to make improvements. Any feedback should be collated and presented to a forum that can consider and implement any necessary changes to improve the customer experience.

The remuneration of AIRs is a key risk that may be detrimental to the fair treatment of customers. Where a firm operates a bonus scheme that is directly related to the sale of insurance products, there is a potential risk of mis-selling by an AIR to supplement income. Those firms visited that operated a bonus scheme appeared to have schemes that did not reward AIRs with sufficiently high bonuses to materially increase an AIR's income, and there were also additional requirements that needed to be met before the bonus could be awarded, such as accuracy standards, and therefore the bonus schemes we reviewed were unlikely to provide incentive for mis-selling.

How a firm responds to complaints is a key indicator in its culture. Complaints are considered in detail in Section 11 of this report.

The Commission considers that all firms have taken steps to consider the needs of vulnerable customers when obtaining advice from an AIR on their insurance needs, either through policies and procedures, or training for staff. It was noted that firms do not appear to have made the same considerations with regard to their websites, and firms should review their websites to ensure that, where possible, the information provided is made accessible to customers who may be considered vulnerable.

The terms of business is a necessary document for a firm to set out its status, services, and what to do should something go wrong, amongst other necessary disclosures, e.g. regarding data protection. Terms of business should be formatted in a way that is easy to read, and of a length that does not deter the customer from reading the document in its entirety. Whilst there is no prescribed format or length for

a terms of business document, firms should consider reviewing their documents to ensure they are easy and manageable to read in full, e.g. written in plain English, particularly for the general public.

8.5.2. Areas for Improvement

The Commission identified a number of areas across multiple firms where steps could be taken to improve the customer experience. These are summarised below:

- Firms should review their websites, and any other media for accessibility, particularly for customers who may be considered vulnerable; and,
- Firms should review their terms of business document to ensure it is easily understandable to all customers, and that its format and length does not hinder the customer from reading the document in its entirety.

9. Do Customers Know and Understand What They are Buying and Does it Meet Their Needs?

The AIR Code contains a number of requirements that are in place to ensure that an AIR takes reasonable steps to obtain from, and provide the customer with, sufficient information to enable the customer to know and understand the product being recommended to them, and to understand how this product meets their demands and needs.

Section 7 of the AIR Code states that an AIR should gather sufficient information to give suitable advice, and/or arrange an insurance policy to meet the customer's demands and needs.

Section 8 of the AIR Code requires the AIR to explain matters, such as the principal terms of the policy, significant or onerous conditions, material disclosure, premium payment terms and additional charges.

When an AIR is giving the customer advice, of which 67% of brokers indicated that they were, it is the duty of the broker to identify a policy that is suitable for the stated demands and needs obtained from the customer and this responsibility remains with the broker.

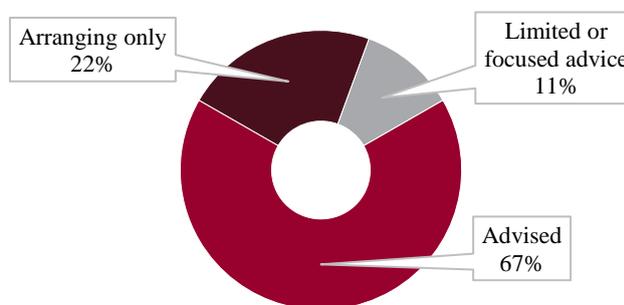
Use of phrases such as "it is your responsibility to ensure the policy is suitable for your needs." were common in the sample documents we reviewed. Where a broker is providing a customer with advice, it should not attempt to shift the onus of responsibility onto the customer, as the customer has approached the firm for its professional recommendation.

The broker should obtain sufficient information from the customer to enable them to recommend a product that is suitable for their needs.

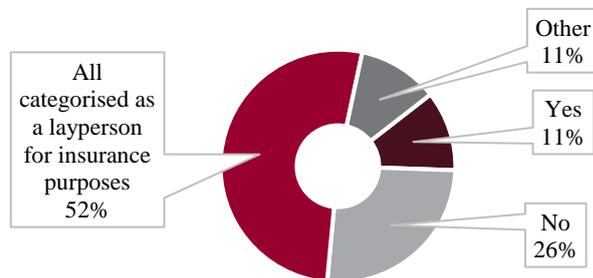
If the broker is not providing advice, or is providing limited advice, it should make this clear to the customer before providing intermediary services.

The AIR Code provides firms with the option to categorise its customers based on the customer's knowledge and experience, the AIR may then adjust the information gathered and given accordingly.

Industry Questionnaire - "On what basis are general insurance products usually sold?"



Industry Questionnaire - "Do your AIRs categorise customers based on the perceived knowledge and/or experience of the customer?"



Our industry questionnaire shows that half of firms have chosen to categorise all their customers as a layperson for insurance purposes, and therefore the information gathered from, and provided to the customer should be consistent for all customers. A quarter of firms stated they do not categorise customers, which, as per the AIR Code, would require all customers to also be treated as a layperson for insurance purposes.

The AIR Code places responsibility on the AIR to obtain sufficient information from the customer in order to recommend a policy suitable for the stated demands and needs of the customer.

As most firms have categorised their customers as laypeople for insurance purposes, the AIR should be aware of factors that may influence the suitability of a policy. For example, a motor policy may have restrictions on annual mileage or duration of travel outside of the Bailiwick, if the insured vehicle is brand new and purchased under a finance agreement that requires the vehicle to be insured under a fully comprehensive policy. A household policy may contain restrictions on how long the insured property can be left unoccupied.

The AIR is also required to inform the customer of any matter that may affect the customer's decision to purchase a particular policy, in this case, similar considerations to those above should be made and the customer informed of any limitations, conditions etc.

The same considerations would also apply to an add-on policy. A standard vehicle breakdown policy may contain restrictions on the age, size or weight of vehicles that are covered under the policy, and AIRs may be at risk of recommending a policy under which the customer would not be able to claim if such matters are not taken into account.

The AIRs spoken to during the onsite visits indicated that these types of considerations were made, and the customer would be informed verbally prior to agreeing to the policy. These considerations were not usually reiterated within the letters sent to clients, but the client would be directed to the key facts or policy wording for the terms of the policy. In referring the customer to the policy, there is a risk that the key points raised by the AIR are missed, either due to the customer not reading the full document, or relevant factors being included in a potentially lengthy and technically worded policy.

9.1. Customer Assistance

We asked firms during onsite visits to what extent assistance could be given by AIRs to customers in establishing sums assured, focussing on buildings and contents insurance. All firms offered broadly the same level of assistance. All firms would explain to the client how to calculate the sum assured, e.g. measuring the square footage, or looking at the Tax on Real Property (TRP) unit value. Some firms would, in certain cases, visit the property and measure for the customer. All firms were clear with their customers that this was for guidance only, and it was the customers' responsibility to establish an appropriate sum assured. Customers were usually advised to obtain a professional survey. Contents insurance was treated in a similar fashion, with AIRs guiding the customer on how to establish the sum assured, but not calculating it for them.

9.2. Insurance Add-ons

Following on from our 2015 thematic and the changes to the AIR Code in 2017, we sought input from the public as to whether they felt that they had been provided with sufficient information regarding an add-on when it was offered to them.

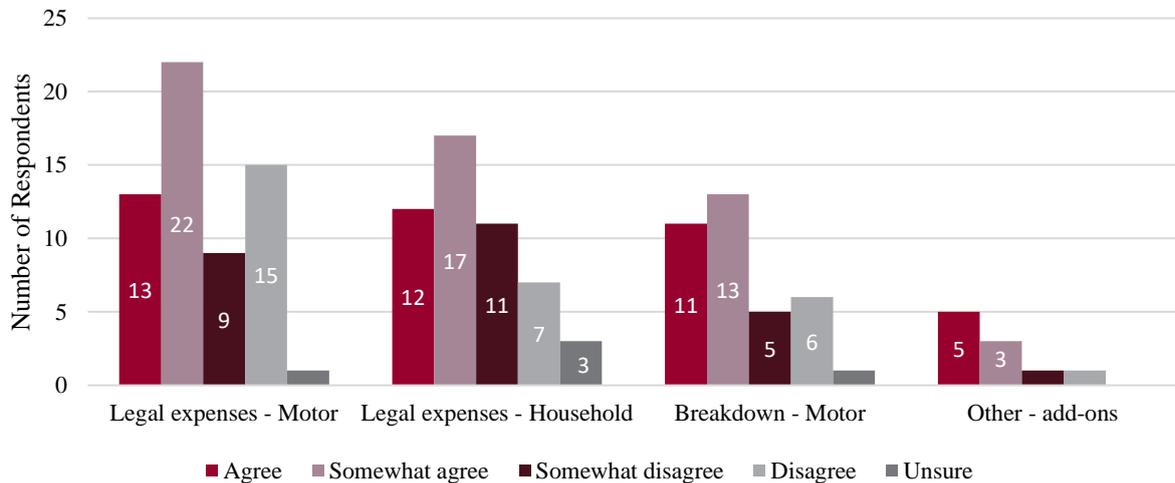
To put the following graphs into context, the percentages are based on the number of respondents who indicated they were offered the respective policy. The public survey focussed on the three most common add-on products – motor legal expenses, household legal expenses and vehicle breakdown cover.

We asked respondents “when you last purchased or renewed an insurance policy, were you offered any additional insurance products?”

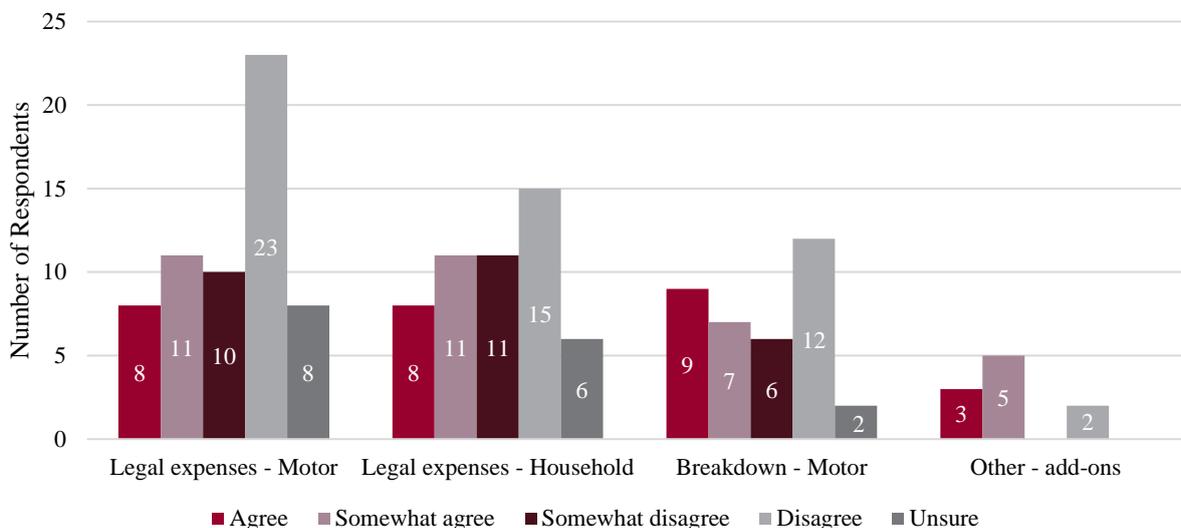
74 respondents were offered additional products, 73 were not, and 20 were unsure.

We then asked those that had been offered add-on products what product they were offered, and if their broker had sufficiently explained the benefits and limitations of the offered product.

Analysis - Policy Benefits were Sufficiently Explained



Analysis - Policy Limitations were Sufficiently Explained



Motor (“MLE”) and household (“HLE”) legal expenses policies were the most frequently offered add-ons, with 60 and 50 respondents having been offered each of these policies respectively. In excess of half the relevant respondents offered MLE and HLE felt that the broker had sufficiently explained the benefits of the policy to them, however only a third considered that the limitations had been sufficiently explained.

The public survey results may indicate that intermediaries focus on the positives of a policy, but do not provide sufficient detail on circumstances that are not covered – for example, a breakdown policy may not cover vehicles over a certain age, length, weight or height, or breakdowns within a stipulated distance of the policyholder’s home address. These limitations may only be discovered when the customer needs to make a claim against the policy.

“Other - add-ons” included excess protection, pet loss cover, and the cross-selling of other insurance products.

9.3. Conclusion

9.3.1. Findings

In the case of the most common personal lines policies, a purchase usually involves a conscious, proactive decision by the customer, e.g. motor policies are purchased because the customer is legally obliged to have a minimum level of insurance before using a vehicle on public roads, and as such the customer is often guided primarily by price.

The average policyholder of a personal lines insurance policy may not be aware that one policy could differ greatly from another in its scope of cover. It is the duty of the AIR to ensure that the customer understands the key terms of the policy in order for them to clearly understand the cover they have, and any limitations under the policy that may affect their decision.

The Commission was assured by firms that customers were provided with key information prior to acceptance of the policy, and our discussions with AIRs indicated that they were aware of the need to disclose this information, however this would usually be during a telephone call, or face to face conversation. In the absence of call recording for the majority of firms, it is difficult to confirm that this is the case, and documentation would usually refer the customer to the key facts or policy document, rather than confirm the information drawn to the customer’s attention during the advice process.

There is an additional risk for the firm if it is unable to evidence that a customer was provided with key information. In the event of a complaint being made, the firm may not be able to defend its position, which may potentially result in a finding being made against them should the matter be referred to the Channel Islands Financial Ombudsman, or an alternative adjudicator.

Based on our discussions with firms, the Commission concluded that customers generally understand what they are purchasing, when utilising the services of a licensed insurance intermediary.

9.3.2. Areas for Improvement

The Commission identified a number of areas across multiple firms where steps could be taken to improve the customer experience. These are summarised below:

- AIRs should ensure that customers understand their responsibilities under the policy to minimise the risk of a claim being declined, or the policy being voided in its entirety; and,
- AIRs should ensure that information provided orally is confirmed in writing and evidence retained.

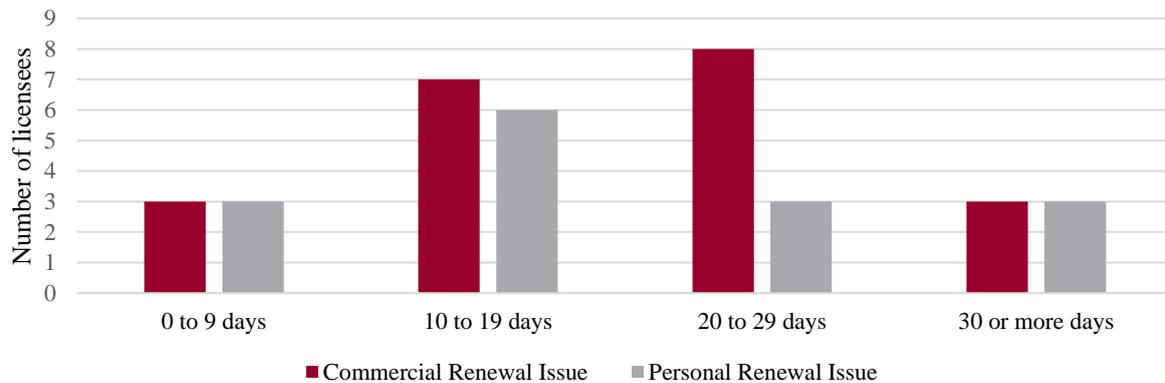
10. Are Customers Treated Fairly at Renewal or When Making a Claim?

10.1. Renewals

The Commission discussed the renewal process with each of the firms that were visited. There were 3 main processes for obtaining renewal terms from the insurers;

- Online portal – the AIR is able to retrieve the renewal invitation from the insurer’s online portal,
- Delegated authority – The AIR is permitted by the insurer to offer terms, within determined parameters, without reverting back to the insurer, and
- Insurer-led – The insurer will produce the renewal invitation and post/email to the broker for onward transmission to the customer.

Industry Questionnaire - "In working days, how far in advance of a policy's renewal date, on average, are renewal documents sent to your customers?"



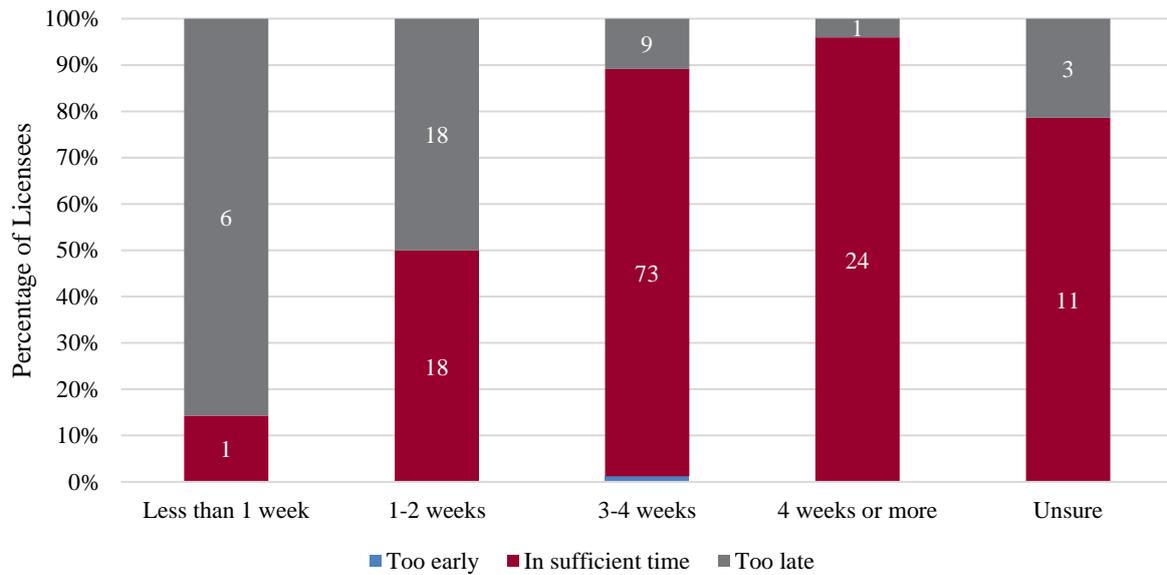
Data collected from our industry questionnaire shows that most brokers aim to issue renewal notices at least 2 weeks prior to the renewal date for personal lines, and 3 weeks for commercial lines.

Firms told us that they would issue a reminder to the customer 1 week ahead of renewal, either in writing or by email, and would issue a further reminder the day before the expiry date, in this case usually by phone.

It is the insurer-led renewals that appear to be the primary cause of delays in issuing renewal notices. Following our onsite discussions with firms, the main cause for delays is outside the control of the broker as the renewal terms will be issued by the insurer to the broker and any delays in receiving terms from the insurer will have a knock-on effect. It was clear during onsite discussions that firms appeared to have established effective methods of preparing, monitoring and issuing renewals in sufficient time for the customer to consider other options and are generally pro-active in following up with insurers where the renewal invitation has not been received.

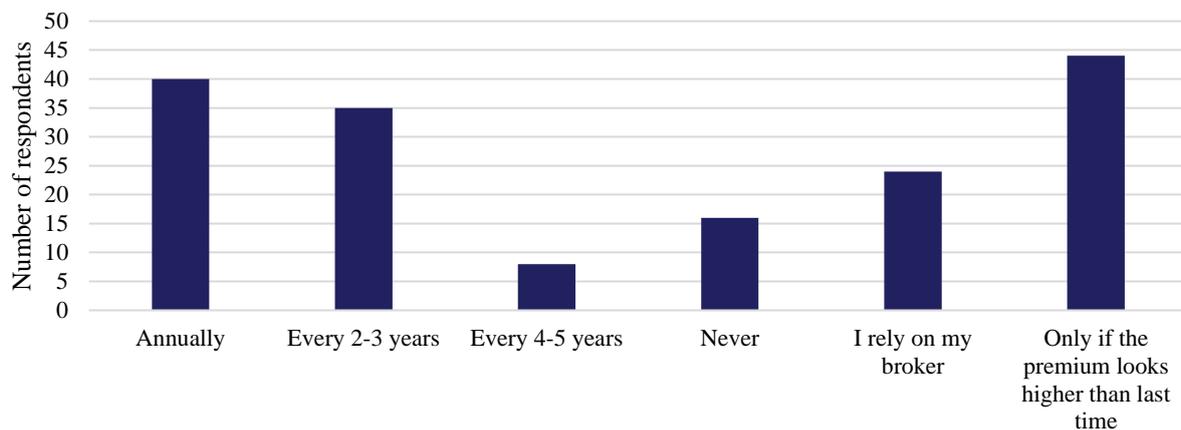
Analysis -

"Are customers happy with when they receive their renewal?"



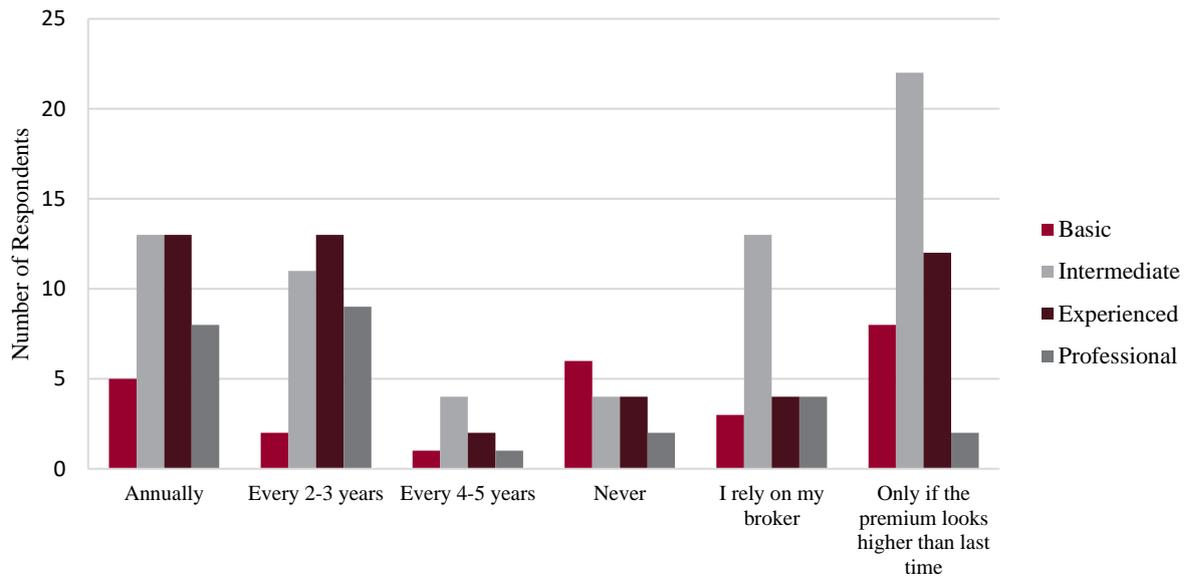
In our public survey, we asked respondents how far in advance of the renewal date renewal documents were received. Responses showed that approximately 50% were received 3-4 weeks before renewal. The results also show us that customers are generally satisfied with the time provided to consider the renewal proposal and consider alternatives. 4.2% were received just 1 week prior to renewal. This number may be due to external matters not under the control of the broker as has previously been discussed, and is not necessarily indicative of a systemic problem.

Public Survey - *"When a policy is due for renewal, how frequently do you shop around for an alternative?"*



We also asked how frequently customers shop around at renewal. It is encouraging that the public survey showed that just under 45% of respondents will consider alternatives on a regular basis, either annually or biannually. 24 (14%) are reliant on their broker to research the most suitable product. The public survey demonstrated that those individuals who identified themselves as having a basic or intermediate knowledge were the least likely to seek alternatives, and were dependant on their broker, or would only contact their broker if the premium looked higher than that for the previous year.

Analysis - Insurance knowledge and shopping around



10.2. Ongoing Services

Comments from the public survey and the Commission’s review of the firms’ documentation suggest that firms are not always clear in setting expectations for the customer as to the role of a broker at the initial quotation stage and the ongoing service to be provided. There are two key areas for consideration, which are detailed below.

Public survey comments suggest that some customers expect the firm to approach all possible insurers at every renewal to obtain a quotation for a specific risk.

An intermediary is not required, and furthermore, it is not practical to approach every insurer for a quotation at each renewal. Firms are limited as to the number of insurers they can approach, and there are other factors that the firm and the AIR will be aware of through market knowledge and their experience of particular insurers’ service levels.

The firm’s renewal documentation should clearly state the range of insurers it has approached for a quotation. For example, if the firm usually obtains motor insurance quotes from 2 insurers, then the firm should make this clear to the customer, and avoid misleading statements such as “we have reviewed the market...” when it has not done so.

There are other factors that may lead to the perception that brokers are not offering the most suitable, or cost-effective solution. For example, a customer may approach two brokers, and obtain quotes from the same insurer, but with different premiums. One of the key reasons behind this is the terms of business the brokers have with the insurer. One broker may have a scheme arrangement with the insurer that gives them lower rates due to the volume of business that is placed with the insurer, whilst the second broker who does not have such an arrangement, will have higher rates, and therefore a higher premium.

It is important to note that brokers have a duty to recommend a policy that is suitable for the needs and wishes of the customer. A suitable policy may not be the cheapest available, and the AIR should also consider the terms of the policy and the service levels of the insurer. A broker may recommend a slightly more expensive policy if the cover is better suited to the customer’s needs, or if the insurer is fair and efficient in settling claims.

10.3. Are brokers meeting customer expectations at renewal?

There also appears to be disparity between the role of the intermediary at renewal, and the expectations of the customer. An intermediary is not obliged to research alternatives at each renewal, however correspondence from intermediaries can be misleading, especially where statements such as, “We have reviewed the market...” or, “We consider the renewal quote to be competitive...” are made in renewal documentation.

Brokers should make it clear to the customer what service they will be providing at renewal, e.g. circumstances under which they will revisit the market available to them at renewal. Firms also need to ensure renewal letters state whether or not a review has been carried out, and the extent of any review.

It is also important to note that brokers are not obliged to provide the customer with the cheapest option available to them. The firm and its AIRs have a duty to recommend a product that is suitable for the needs and wishes of the customer. For example, the policyholder may take their vehicle off island frequently, and whilst a particular policy is cheaper, it may have restrictions on off island travel that would make it unsuitable, and therefore the AIR should recommend a policy that meets the declared needs of the customer.

10.4. Claims

The handling of claims is primarily a responsibility of the insurer, and the Rules and AIR Code do not contain specific provisions for the consideration or handling of claims by brokers. The Commission sought to understand what involvement, if any, brokers have in the claims process.

A small number of firms have a delegated authority from an insurer to consider and settle claims on that insurers behalf. Those firms will usually appoint a loss adjuster to inspect the damaged property and agree settlement with the policyholder.

The majority of firms without delegated authority indicated that they will give assistance to the customer in completing claim forms, advising on obtaining repair quotations, submitting the claim to the insurer, and will often act as a conduit between the insured and the insurer.

10.5. Conclusion

10.5.1. Findings

Firms should take reasonable steps to ensure that the customer understands the range of insurers from which an AIR is able to provide a quotation, and the extent of any review to be carried out at renewal, at the onset of the relationship.

The Commission identified renewal documentation that was unclear, and in some cases potentially misleading as to the work carried out by the firm and its AIRs at renewal through the use of phrases such as, “We have reviewed the market..”, when a firm may only realistically have a small of number of insurers that it is able to place business with, or it is aware through experience and market knowledge that a particular insurer is more competitive for a specified risk.

Whilst the consideration and settlement of claims is not relevant for the majority of firms, and claims are not considered in detail by the AIR Code, the Commission found that firms generally considered assisting the customer in submitting and following up on claims as being an important part of their service.

10.5.2. Areas for Improvement

The Commission identified a number of areas across multiple firms where steps could be taken to improve the customer experience. These are summarised below:

- Firms should clearly state to their customers the circumstances under which they will review the premium and policy terms at renewal; and,
- Firms should review their documentation to ensure that it accurately and clearly states the range of insurers that will be approached either at a new business quotation stage, or at renewal. Documentation should also clearly disclose any relationship to the insurer.

11. Are Customers Treated Fairly if They Need to Complain?

11.1. Number and Nature of Complaints

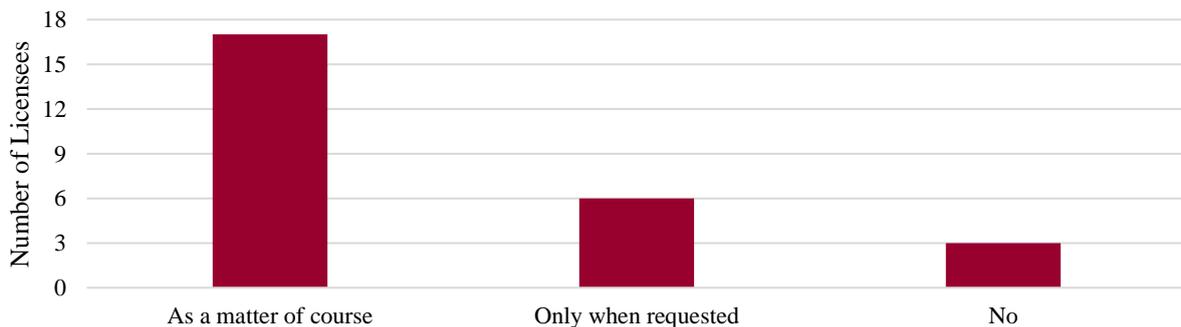
The Commission’s industry questionnaire asked firms how many complaints had been received in the 12 months prior to the completion of the questionnaire, and the primary nature of those complaints.

Firms declared a wide range of complaints, with 53% stating they had received no complaints, and other firms reporting up to 70 complaints. This variance required further analysis to establish if there were systemic issues with those firms reporting large numbers of complaints, or if firms were taking different approaches in identifying and reporting complaints. The subject of complaint recording was discussed with firms during onsite visits, and is covered in detail under “Complaint recording, reporting & handling” below.

11.2. Complaints relating to the insurer

A firm may receive complaints from a policyholder regarding claim administration, settlement or declinature, which are matters for the insurer. In these cases, we asked firms if they would assist the client in making a complaint to the insurer.

Industry Questionnaire - "Where a complaint is related to the insurer, is the customer assisted in making a complaint to the relevant insurer?"



A clear majority stated that if approached by a customer with a complaint that related to the insurer, they would assist the customer in making a complaint to the relevant party, either as a matter of course, or if requested to assist by the customer.

11.3. Complaints - Recording, Reporting & Handling

Our discussions with licensees during our onsite visits raised concern that firms are not identifying, recording or reporting complaints in accordance with the Rules.

The Rules define what is to be considered a complaint, and the distinction between a complaint and a significant complaint:

“complaint” means any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of a person about the provision of, or failure to provide a financial service which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience;

“significant complaint” means a complaint alleging a breach of *the Law*, mala fides, malpractice or impropriety, or repetition or recurrence of a matter previously complained of (whether significant or otherwise):

During our visits, we discussed the identification and recording of complaints and significant complaints with senior management and the AIRs. Those discussions have shown that there is a wide ranging interpretation of what constitutes a complaint.

Examples of some firm’s interpretations of what is a complaint are provided below:

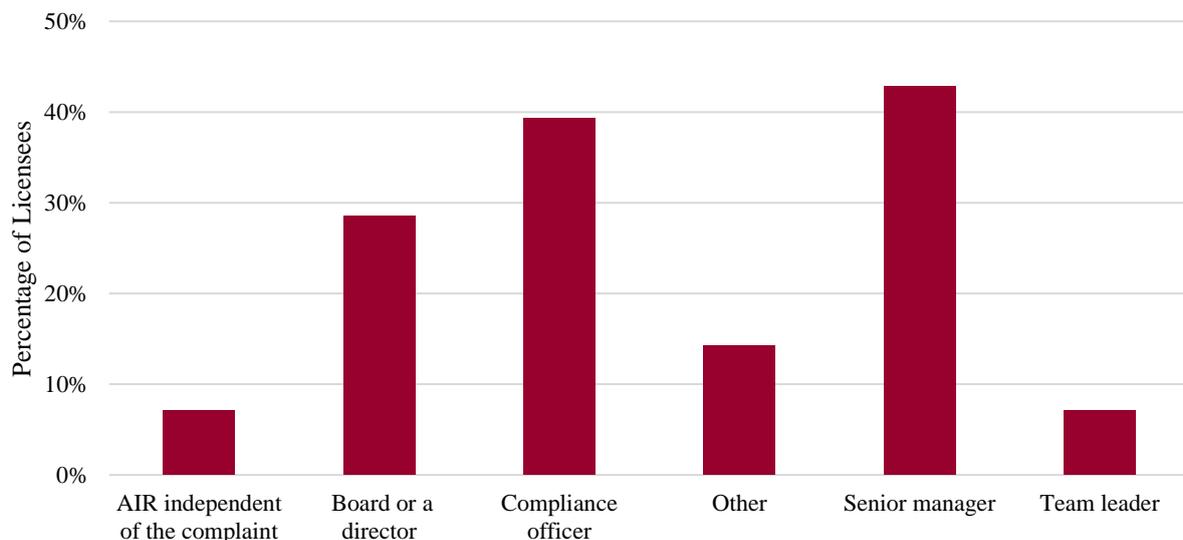
- Firm A had devised its own definition as to what would constitute a significant complaint, which differed from the definition within the Rules. It considered a significant complaint to be any complaint made in writing.
- Firm B had policies and procedures in place that were consistent with the Rules, however those individuals spoken to had different views of what constituted a complaint. For example, an expression of dissatisfaction was only a complaint if it was made in writing.
- Firm C had clear policies and procedures that were consistent with the Rules. However in discussions with AIRs, it was stated that whilst they were supposed to record all complaints, and tried to do so, they were sometimes too busy to formally record some complaints.

The above interpretations demonstrate that firms are not identifying or recording complaints in accordance with the Rules. This may also lead to firms not reporting complaints to the Commission in the circumstances described in the Rules.

The Rules also state that complaints should be reviewed by an individual (of appropriate seniority) independent of the circumstance giving rise to the complaint.

At one firm, an AIR stated that they would try to deal with a complaint themselves, and would only escalate to a senior member of staff if the AIR felt they were no longer able to manage the matter, or if the customer specifically requested to speak to a senior member of staff.

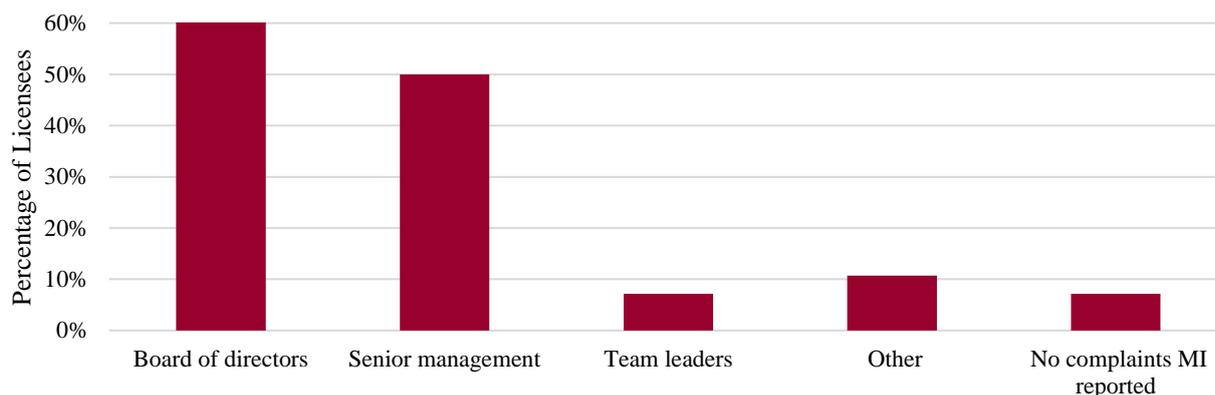
Industry Questionnaire - "Who is primarily responsible for dealing with ongoing complaints?"



11.4. Management Information

Management information is an important tool for senior management and the board to review complaints and identify areas where the firm can improve its customer service, identify potential problems with the insurers that it places business, and identify non-compliance with a firm's policies and procedures and make appropriate changes.

Industry Questionnaire - "At what forum(s) is management information on the root cause of complaints reported to identify and take action on trends?"



Some firms have more than one forum that will review complaint information, 8 firms indicated they had 2 forums, and 2 firms stated they have 3 forums where complaints are discussed.

One firm informed us that since the introduction of the AIR Code, they had begun to record all expressions of dissatisfaction, however received, and noted that whilst there was a significant jump in the volume of complaints, the management information it had produced had identified issues and areas for improvement that had not been previously noticed.

Reviewing complaints data is only of benefit if the relevant forum receives complete and meaningful data. As discussed above, it appears that complaints are not always being identified and recorded correctly, and therefore management is not receiving adequate or accurate data to interrogate.

11.5. Conclusion

11.5.1. Findings

The Commission is of the opinion that firms generally addressed expressions of dissatisfaction made by customers in a fair and reasonable manner.

The Commission's discussions with firms does raise concerns, however, that firms are not recognising, escalating or recording complaints in accordance with the Rules. If complaints are not recorded, a firm's management will not have sufficient management information to identify trends or compliance matters that require attention, and potentially changes to policies and procedures.

When complaints were discussed with Firm C, the management had extensive management information regarding complaints, and stated that this information had enabled them to identify trends and issues of which they had not previously been aware. However, AIRs noted that not all complaints that were required to be recorded were being recorded due to time constraints, and the management may still be missing important issues.

All firms should review their complaints policies and procedures to ensure these are consistent with the Rules, and train staff on what is deemed to be a complaint or significant complaint, and how this should be recorded and reported.

Complete and precise identification and recording of complaints enables the management and board of a licensee to produce accurate and meaningful management information, which will in turn enable them to identify trends, make changes as appropriate and ultimately improve the customer experience.

The purpose of the notification to the Commission of long-standing complaints, or the receipt of a significant complaint is to enable the Commission to assess if there is a regulatory failing or conduct risk presented by the firm that warrants further investigation, or, to identify industry wide issues that may need further consideration.

11.5.2. Areas for Improvement

Firms should ensure that their policies, procedures and controls in relation to the identification, recording and reporting of complaints are consistent with the Rules, and appropriate training is provided to the firm's AIRs.

12. Additional Matters

12.1. Non-Regulated Insurance Product Promotion and Sales

Utilising our public survey, we sought to obtain initial information on the public’s experience with non-regulated firms that offer or promote particular insurance products. Section 3 of The Insurance Managers and Insurance Intermediaries (Licensing) Regulation, 2002 (“the Regulations”) permits a firm to offer insurance products to customers when purchasing related goods or providing related services without the need to be regulated by the Commission. The Regulations are in place for retail outlets, such as travel agents, to offer travel insurance when booking a package holiday, or banks providing travel insurance as part of a bank account package.

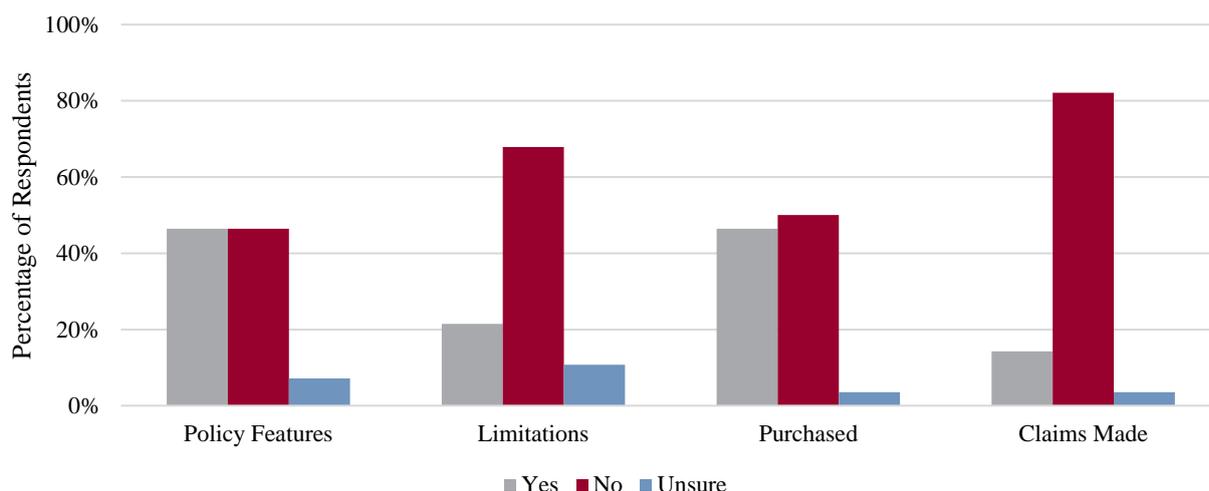
There has been a noticeable increase in the number of firms offering insurance products under the Regulations exemption in recent years, and the Commission is seeking to understand if there is now a need to review the exemptions.

We asked respondents if, in the last 12 months, they had been offered an insurance product, other than by an insurance intermediary when purchasing goods or using a company’s services, particularly with a vehicle or gadget purchase, medical or health insurance and Payment Protection Insurance (“PPI”) when taking out finance.

61 respondents stated that they had been offered one or more insurance products when purchasing goods or services. 28 were related to car sales, 8 were offered health/medical insurance, 39 were related to electronic/gadget sales and 2 were offered PPI. 16 respondents indicated they had been offered other insurance products.

For each product, we asked the public if the policy features, exclusions, conditions or limitations were sufficiently explained, if they had purchased the product and if they had made a claim on the policy. The sample of respondents offered PPI is too small to draw any meaningful conclusion, however the small number being offered is consistent with the drastic reduction of PPI offerings following the widely publicised mis-selling of those products.

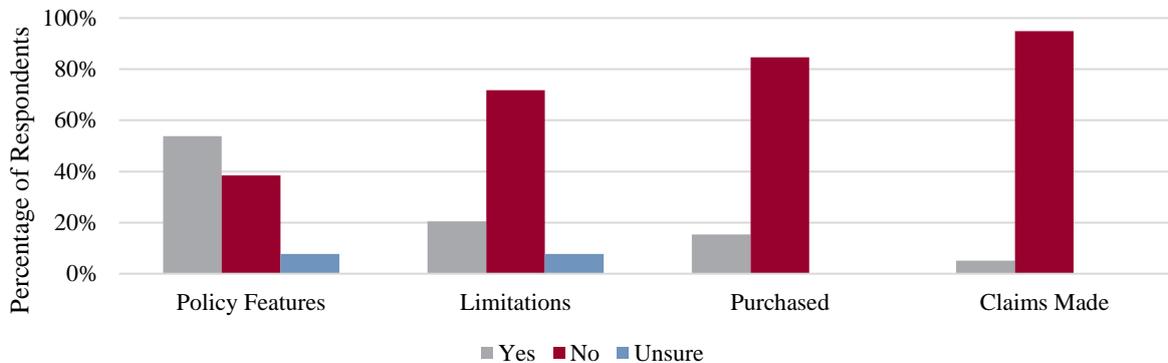
Analysis - Insurance policies offered with a vehicle purchase



Less than half of respondents that were offered a product with a vehicle purchase felt that the policy features had been sufficiently explained to them, and only approximately 20% understood the limitations of the products offered. The data does however show a correlation between the explanation of the policy features and if the buyer opted to take out the policy or not, perhaps indicating that customers were more likely to purchase a product if it had been properly explained to them.

The products offered with a vehicle purchase typically include Guaranteed Asset Protection (“GAP”), alloy wheel damage and minor knocks and scrapes insurance. The data also shows a low number of claims made against any of the policies purchased, however it is difficult to draw a conclusion without detail on the reason why no claims were made, e.g. did the policyholder not know they could claim for a particular event, or were there no insured losses?

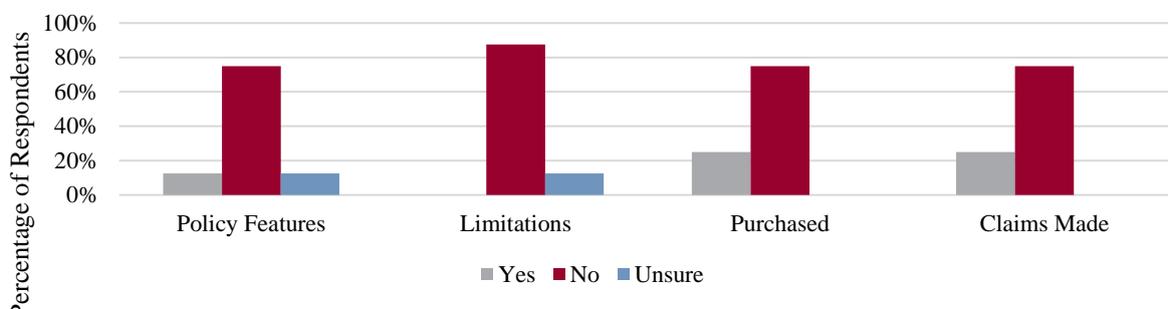
Analysis - Insurance policies offered with a gadget / electrical goods purchase



Products offered with the purchase of electrical goods, or gadgets only fared marginally better, with just over 50% of respondents of the opinion that the product had been sufficiently explained, but shows a lower take up rate than those policies related to a vehicle purchase.

The types of policies offered include accidental damage or an extension to a manufacturer’s warranty.

Analysis - Insurance policies offered with a health related purchase



Health related policies also did not appear to be well explained to the prospective purchaser based on the results of our public survey.

12.2. Conclusion

12.2.1 Findings

There is concern regarding the sales practices by unregulated firms and that the benefits and limitations of insurance policies sold in conjunction with other goods are not being sufficiently explained to the customer.

Appendix

The information is provided in response to specific questions raised by the respondents to our public survey. This information will also be published on the Consumer pages of the Commission's website, together with additional, broader matters arising within this report.

“Why can we not engage non-Bailiwick insurers who are more competitive?”

The Commission does not specifically license insurers outside of the Bailiwick, but instead treats insurers from particular jurisdictions as “recognised insurers”. Recognised insurers are those incorporated and regulated in countries with similar regulatory standards as Guernsey, and a list of those countries is published on the Commission's website at <https://www.gfsc.gg/industry-sectors/type-insurance-entity/recognised-insurers-including-authorised-motor-insurers>. Any insurer regulated in a listed country is permitted to write risks in Guernsey for Guernsey residents provided it is at the request of the customer i.e. the insurer cannot actively solicit business in the Bailiwick.

The only exception to the above recognition regime is third party motor insurance, which must be authorised by the Commission. A list of authorised motor insurers is provided on the Commission's website, via the link above.

This does not mean, however, that all insurers will be willing to accept Guernsey risks, and insurers may choose not to offer their products to Bailiwick residents.

“I'd like to know if it is possible to buy insurance in the Bailiwick without having to pay UK insurance premium tax?”

Insurance Premium Tax (“IPT”) is not payable on premiums relating to insurance policies for property or risks that are located in the Bailiwick, such as motor or household insurance.

However, IPT is payable on any insured risk that is located in the United Kingdom, irrespective of the where the policyholder resides, or where the policy was taken out. For example, if a Bailiwick resident owns a property in the United Kingdom, then IPT is payable on the gross premium for any insurance policy relating to that property. The standard rate of IPT is currently 12% of the gross premium, and a higher rate of 20% is applied to travel policies and certain other policies.

If you believe you have been charged IPT incorrectly, then you should speak to your broker or the insurer in the first instance.

Further information regarding IPT can be found at:

<https://www.gov.uk/government/publications/notice-ipt-1-insurance-premium-tax/notice-ipt1-insurance-premium-tax>

“It is not always clear when taking out travel cover, especially when purchasing online what is covered and what isn't”

If you purchase an insurance policy through a broker on a non-advised basis, or directly from an insurer, it is your responsibility to check what the terms of the policy do and do not cover. If insurance cover is purchased on an advised basis via a broker, the AIR should tell you what is and is not covered. Before purchasing an insurance policy, it is important to review the key facts or policy document, and speak to the insurer/broker if anything is unclear.

“It appears that multiple areas try to sell insurance but they are far too pushy and not listed on your website”

There are circumstances where a business that offers insurance products does not need to be regulated by the Commission.

Section 3 of the Insurance Managers and Insurance Intermediaries (Licensing) Regulations, 2002 (“the Regulations”) exempts firms that offer insurance products, where that product is related to goods or service provided by that firm and is incidental to that firm’s primary business, from the requirement to be regulated as an insurance intermediary. For example, a travel agent offering travel insurance with a package holiday is exempt under the Regulations.

There has been a notable increase in such related insurance policy sales in recent years, particularly by motor traders offering GAP and/or alloy wheel cover amongst other products. This is being considered by the Commission.

You are under no obligation to purchase any insurance product offered, and should only do so if the benefits, features, limitations and exclusions have been explained to you.

It is also important to note if the policy has a cooling off period, in which you can cancel the policy and obtain a full premium refund should you change your mind.

If you are in any doubt, you should speak to a regulated insurance broker who will be able to give you impartial advice on the product being offered, or find a suitable alternative.