

Chartered  
Insurance  
Institute  
Standards. Professionalism. Trust.

# Building public trust in Personal Lines

How does focusing on customer outcomes  
and a positive culture build public trust?





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# Introduction

**The Chartered Insurance Institute exists to build public trust in the insurance and personal finance profession. But it can't directly change the public's experience or perceptions, so we must work together to understand the consumer expectation gap and then develop standards, guidance and skills to address it.**

We know from some of the research outlined in our Insurance Trust Index summarised here, that there is an expectation gap. Trust isn't just about qualifications - but there is a link between customers' expectation of expert knowledge and their trust.

By partnering with employers, trade bodies and regulators on a common agenda, we can provide guidance at an individual level (for example our recently produced **Financially Inclusive Customer Outcomes: A companion to the CII Code of Ethics**) and frameworks for employers (such as the Insuring **Women's Futures Inclusive Customer pledge**).

**We believe insurance should think of itself as a profession not an industry**

We should not be defined by our products and our ability to sell or deliver them profitably, but our ability to understand customers' needs and how best to deliver the right outcomes on their behalf.

We must use the financial life journey as the consistent framework. Our products and services should be mapped against where our customers sit on this journey and define not just what they need, but how they need to be engaged, advised, educated and supported.

Sian Fisher, CEO, Chartered Insurance Institute



**We believe insurance should think of itself as a profession not an industry**

Loyalty remains our Achilles' heel. Customers don't believe their loyalty will be rewarded.



# The Insurance Expectation Gap

Analysing the root causes of trust - or distrust - is vital to the goal of building public trust in our profession. This is why we survey thousands of consumers every year to examine those causes - and track our performance as a sector against what our customers expect.

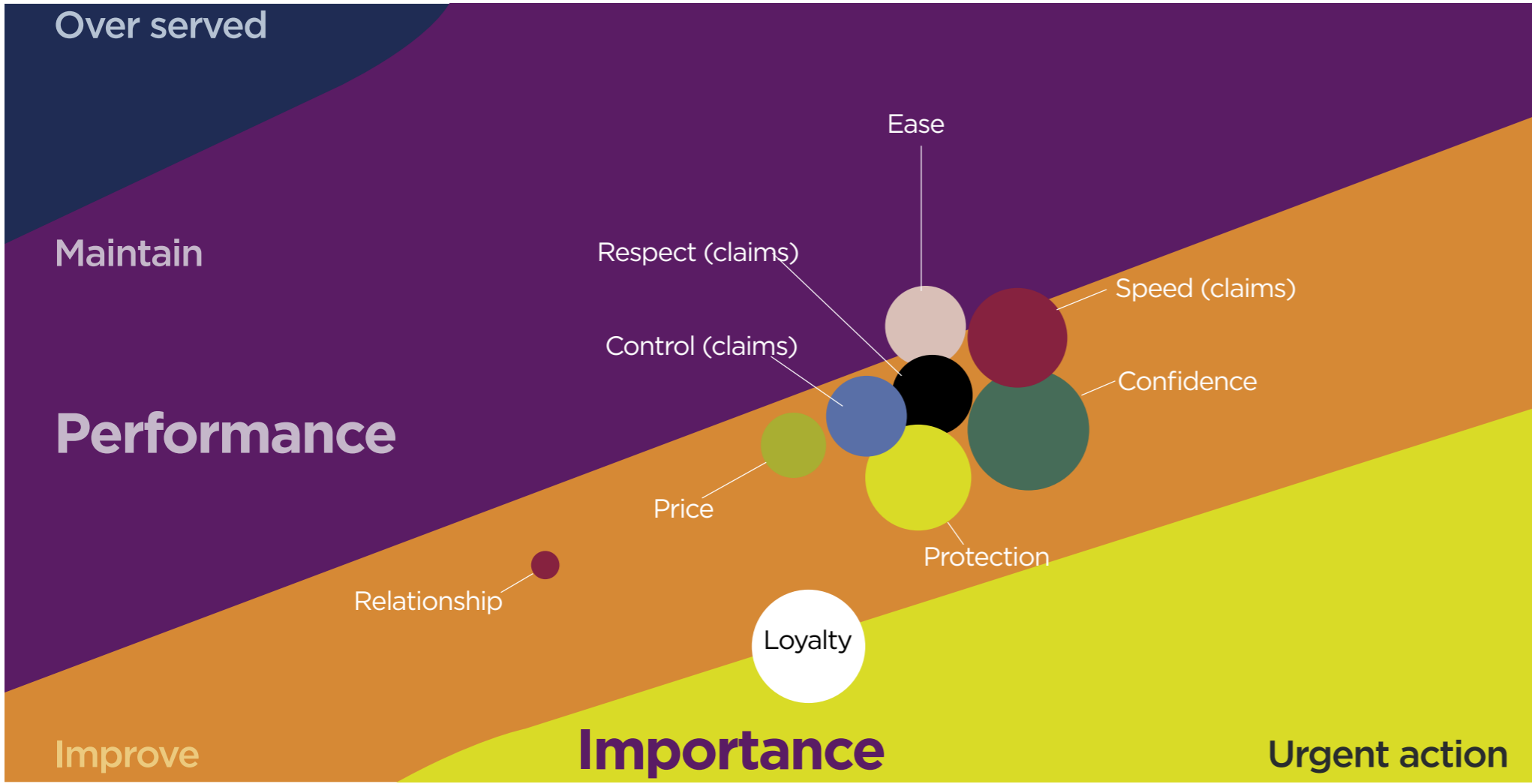
Loyalty remains our Achilles' heel. Customers don't believe their loyalty will be rewarded.

Since 2018, loyalty is the only one of the nine themes where expectations have fallen so far behind performance that we have included it in our 'urgent action' category. ABI and BIBA have done a lot of work in this area, for example through their guiding principles on general insurance pricing, and we have seen an improvement in the

more intermediated SME space since 2018 and now loyalty is much more in line when it comes to performance against expectations.

However, we still have more work to do with personal lines. **Performance has improved over the two years, but consumer expectations have also increased, so the size of the gap remains the same.**

## The Insurance Expectation Gap - continued



CII Consumer trust index results – 2018-20

The FCA's recent requirement of insurers to charge the same to new and existing customers will help, but ultimately we need a market where competition is based much more on quality of service than initial price to ensure that regulatory intervention is no longer required.

But there are also reasons to be cheerful. Customers who have experienced a claim are more positive overall than those who haven't, and customers tend to trust their own provider more than they do the sector as a whole.

For claims, the themes of speed and control have always scored high, with relatively small scope for improvement, although 'respect' (the sense that the insurer is treating a claimant as a valued customer and not as a potential fraudster) has fallen a little over the two years.

# What is the expectation gap?

**In simple terms the difference between what customers think is important and what they experienced. In practice this can be measured by themes such as:**

Customers' confidence that they know what their policy covers and excludes. This has significantly increased in importance since the pandemic, and marginally worsened in score. The one exception to this is our early results for business interruption insurance – perhaps because there has been so much debate about it, that those customers who still hold it are more aware of what it does and does not cover.

Customers' engagement with their cover: finding documents and guidance easy to read. This has also significantly increased in both importance and dissatisfaction.

Customers felt their policy was explained clearly. This has marginally increased in importance and somewhat improved in satisfaction over the past 6 months.

# The FCA's approach to supervising culture

Matthew Brewis (Director, General Insurance and Conduct Specialists, FCA) provided the following overview of the FCA's approach to culture in insurance:

Culture is not something that anyone can just get right and then move on. It has to be consistently reviewed and adapted.

Firms should not be doing it because the regulator is asking them to do it, but it should be in the interests of a sustainable firm to have a healthy culture that works for its colleagues and its customers.

There is no one-size-fits-all approach to culture. But the FCA believes there are common drivers of a healthy culture:

1. Purpose should be clear to both customers and employees – what is it, why is it there and what's it doing?
2. Leadership: there should be a strong tone from the top: What we say and what we do should be aligned. Poor behaviours must be got rid of across the business.
3. People: Who works for the company in what roles, how are they incentivised, how do they

participate and speak up. Do they buy-in to the organisation's purpose and are they supported in delivering it?

4. Governance must allow for any concerns to be raised when there is a mismatch between behaviour or outcomes and purpose.

Pricing is important, but goes hand-in-hand with product governance; governance and ensuring customers get what they need from products; they can't be divorced. While pricing is important, the FCA is keen to understand the wider impacts of its proposals and where firms will focus – for example, some firms talked about ensuring an excellent level of service is provided to customers, and others raised concerns about ensuring customers do not get a "hollowed-out" product to meet a price point. The FCA wants to work with firms to remove the drivers of that behaviour, so that customers are able to buy the products that they need. The Demands & Needs assessment is intended to help this.



## FCA focus on culture

Healthy cultures deliver long-term sustainable benefits for employees, consumers and shareholders; can help organisations avoid large-scale risks from crystallising, manage conduct risk and be more innovative



## The FCA's approach to supervising culture - continued

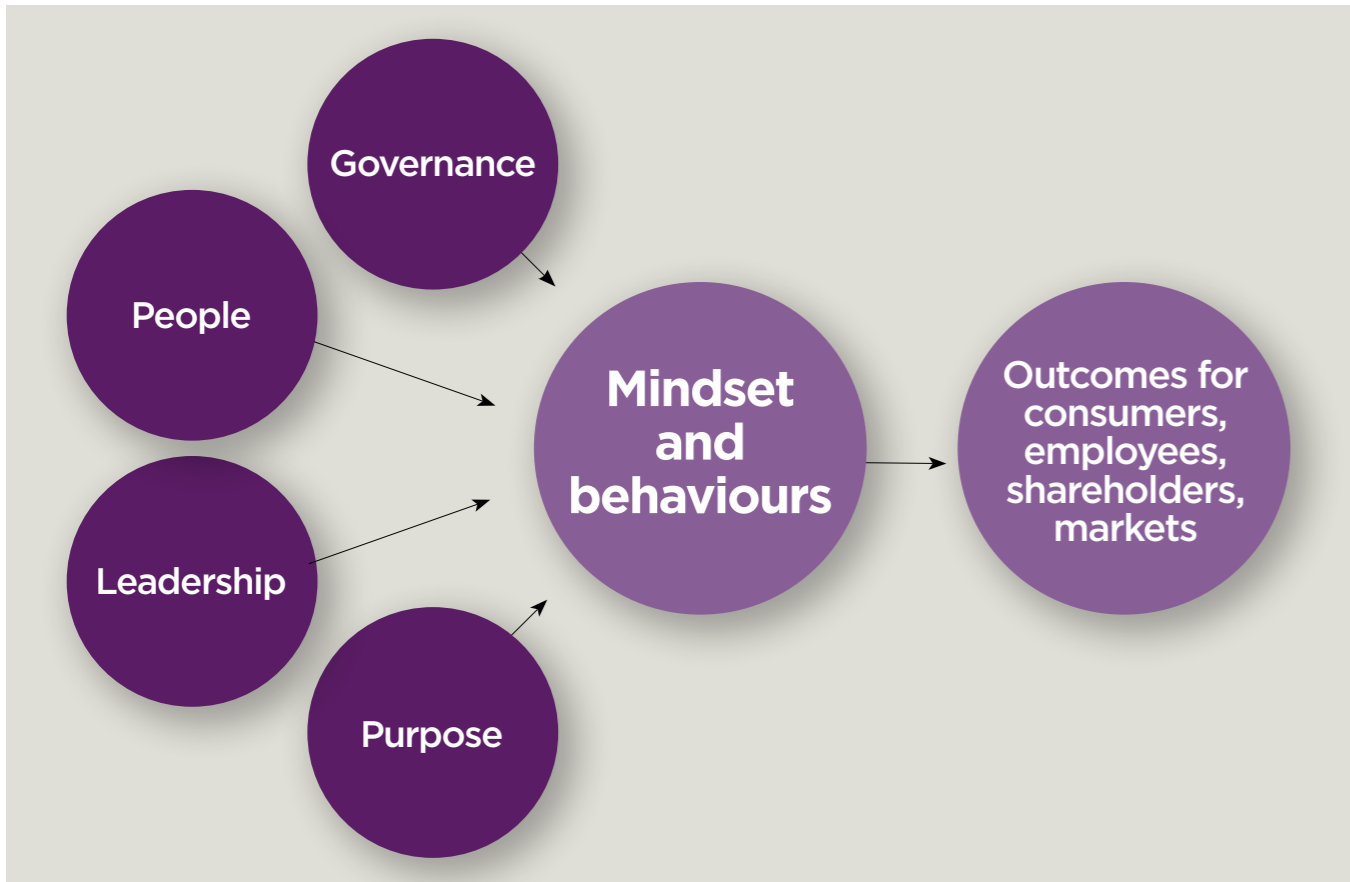
### Pricing is not the FCA's sole priority. Value is far more important.

Remuneration has driven some poor behaviours in the past, including distribution networks and individual firms' remuneration policies – this will be a key focus for 2021.

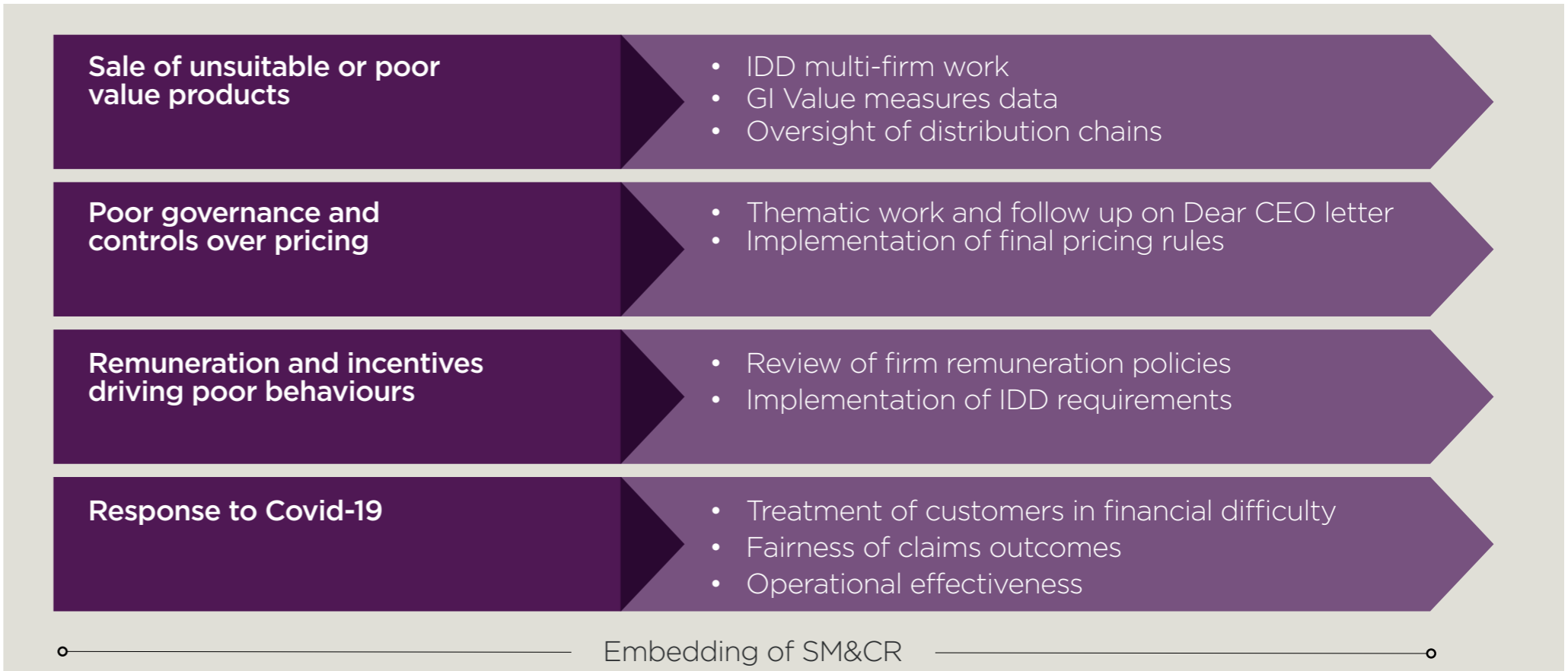
GI firms did a very good job operationally in response to Covid-19 to ensure they were able to keep looking after customers despite major sudden changes to locations and systems. Guidance on supporting customers in financial difficulty has been broadly adopted and many firms were already doing this.

However, there are still people not back in their homes a year after 2019 storms, and it doesn't matter that they are small numbers, but for that individual that's the only thing that matters, not the thousands who are back in and moving on with their lives.

The end goal should not be forgotten: it's important that there isn't so much focus on getting the claims payment exactly right to the penny that it detracts from the speed and overall fairness in getting the customer back to where they were. When customers see occasional arguments over what look like trivial amounts in the context of a major claim, this can have a large effect on their personal perception of fairness and loyalty and the stories they will share with others.



FCA Drivers of Culture



FCA Culture & Priorities



# Observations and recommendations

## Pricing vs product: how do we encourage customers to engage in risk and product or service benefits beyond a focus on price?

The group observed that customers' expectations and the way that they judge the trustworthiness or satisfaction with their insurance is a result of many different interactions and communications, including from family, friends and media (both print and social).

While the research shows that the greatest opportunity to improve trust is to reflect loyalty, and dual pricing is the greatest detractor of this, pricing must be addressed alongside wider product and service improvements, and should not be seen as a solution on its own.

Many customers now realise that that insurers have to pay for their products to feature on comparison websites, and that cost has to be recouped from the customer. But the group felt that there is not enough transparency, for example in what proportion of a premium is inclusive of an introductory discount, and that the customer should expect that discount to disappear in later years.

There is a behavioural challenge for the profession as much as our consumers. Customers cannot be blamed for having become trained to compare insurance products as though they are commodities and all products and services are equal. The sector needs to re-engineer customer journeys and improve wider engagement, education and support to help customers to see the benefit of comparing products by more than price.


There is a need for more practical examples, relevant to specific customers at specific points in their journey, understanding and anticipating their needs in order to demonstrate simply how different products would respond. There should be less reliance on comprehensive and uniform scripts intended to serve every situation, and more focus on timely, succinct case studies and examples reflecting real customer situations.

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*We spend too much time obsessing over factors such as price, and we should spend more time focusing on ensuring that the products really meet the customers' needs.*

*We know most customers don't read disclaimers, and financial literacy is low, so we need to do more both at point of sale but also make sure that at the point of claim it meets both expectations and underlying needs.*

Peter Blanc



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*We have to make it easier for consumers to compare what they are buying and how well it meets their needs, not just its price. It's a behavioural challenge for us as a sector as much as it is for consumers.*

*Our moment of truth is when there is a claim, and we all pride ourselves on doing that really well, but it happens too late for many customers to be able to link that with their purchase decisions.*

Mike Crane



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*The process can be very scripted, often for good reasons, but there is opportunity to build more customer-specific guidance and prompting to make sure the information they are receiving is relevant to their situation, understood and has practical application.*

Karen Beales



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**Observations and recommendations** - continued

*The price of the product has to be taken in the context of the suitability of the advice, where advice is given, and the product that they have bought. It is the paying of claims that will lead to improvement in trust.*



Steve White

*Our society is changing at pace and this means that peoples' financial life journeys - their risks in life and their life circumstances - are increasingly varied and also more complex. Not only does this create an opportunity for the profession to innovate new solutions to meet customers' financial and protection needs, there is also a need to be more proactive about embedding financial wellbeing, not just around selling products but about wider guidance and support to help customers achieve good outcomes.*



Jane Portas

*It's telling that so many of our products are sold on platforms that call themselves price comparison sites - it says everything.*



Jon Sykes

*Insurers and brokers need to recognise the untapped value of their specialised knowledge and expertise. We think in terms of risk assessment and data correlation to quantify our own risk appetite, but we miss opportunities to help customers engage in the same insights from their point of view.*



Sian Fisher

**The importance of the Financial Life Journey**

The insurance profession should build its products and services around consumers' financial life journeys. Research led by Jane Portas as part of **Insuring Women's Futures** demonstrates, most consumers are not engaged in their financial lives, and need more help and support from the sector to understand their own financial resilience and how insurance can support them. The research showed that half of people don't know the difference in financial rights between married and cohabiting people. Similarly, people say they are not considering their relationship or wider life circumstances when entering into financial products, nor do they appreciate the difference in joint and single policies and named beneficiaries - corroborated by market data indicating many policies taken out by couples are only in one name only. This means that people may be taking out a good product, but not one that reflects their actual life circumstances.

Two pledges were launched as part of the Insuring Women's Futures programme, and benefit both male and female employees and customers. The CII is recommending firms consider how they can contribute to **Financial Flexible Working** for their own colleagues by embedding financial wellbeing to help inform decisions about changing working arrangements. In addition, firms are asked to embed the **Inclusive Customer Financial Lives** pledge by providing prompts for customers to consider the overlay of their life circumstances on their insurance arrangements, and to help improve understanding of joint and single products and wider beneficiaries.



### Observations and recommendations - continued

#### Culture, leadership and incentivisation

The group agreed that leadership was vital, and that consistent messaging from the top was vital, but also incentivisation and processes to ensure that brand promises are delivered consistently throughout the customer journey.

Colleagues in all roles, levels and functions should be empowered to challenge and innovate around all aspects of the customer proposition and journey, and to be rewarded for pursuing good customer outcomes.

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*It's important to ask the right questions in the right order: not starting with a commercial question like 'what product do you want to buy?', but with a customer question like 'how can we help reduce your risk?'*

Jon Sykes



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*The CII already has a badge which signifies professionalism and quality which is Chartered status, and we are ready to work with the regulator to harness this badge to deliver better cultures.*

Melissa Collett



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# The expectation gap

## The expectation gap: what are its causes, and how can the profession take steps to reduce it?

The group felt that the expectation gap was very two-sided, but that the insurance profession had to take responsibility for addressing both sides, acknowledging and understanding the causes of customer perception but also accepting that customer dissatisfaction should always be seen as an opportunity to improve.

Examples were shared of how firms had shown flexibility and understanding for example in the application of work-from-home or occasional commuting clauses during Covid. Actions like this show customers and the wider public that the sector understands the realities of their lives and demonstrates that insurance can be more than just a financial contract.

Because experiencing a claim is thankfully not a daily experience for customers it's not surprising that they may not always know what a good claims outcome looks like. Expectations for things the speed of settlement will naturally be based

on other interactions that they may have with other types of businesses on a daily basis. Sometimes these will be close to reality and other times it will be unrealistic, but it is the responsibility of insurers and brokers to help raise awareness of what good looks like, rather than assuming customers can work it out alone.


It was agreed that it was the duty of a professional to think for our customers and help them to get outcomes they may not know themselves that they need.

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*There needs to be a really strong feedback loop for both insurers and brokers between claims outcomes and underwriting to fix either the understanding or the engagement.*

*It's not the customer's fault for not understanding their cover – it's on us to fix.*

Peter Blanc



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*If a customer breaks a TV, they might expect to get a voucher or a replacement the next day and they'd probably be about right. But with floods, it can take months before the building is even dry enough to start repairing, and with liability claims it can take years. We can do more to raise awareness of why these processes take time and how it's in insurers' interests to resolve them promptly – but also fairly.*


Mike Crane



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*It's not always about paying claims, it's also about providing support, understanding and reassurance.*

James Dalton



## The Expectation Gap - continued

*We looked at which customers had European breakdown cover during the pandemic when we knew they were unlikely to be travelling, and use that as an opportunity to educate people about how that cover worked and what impact it might have on their premium.*



Karen Beales

*One customer's claim going wrong is one too many, but there is always that potential. So part of the challenge is to minimise that, but the other part is to get better at telling the story of the sector. We need to tell stories in human terms, not just in numbers.*

James Dalton



*Nobody in the insurance profession goes out of their way to do a disservice to customers, but the sector's business model can force a short-term focus on winning new customers at the expense of existing ones, and all customers should receive a fair outcome.*



Nick Turner

*There's more that can be done to make the pricing more transparent and how customers can affect that price through their choices, but we have to recognise that is also raising even more focus on the price at the expense of cover and outcomes.*

Mike Crane



The group reflected that to be sustainable into the future, insurance aspires to being seen as a profession led by its commitment to customer outcomes, and not simply an industry that operates processes effectively to link capital up to risk events.

The group agreed that when it comes to customer communications, less is often more. While any definitions, excesses and limits must be accessible to customers, it would be better to start with simplifying products where possible and cutting out jargon rather than relying on a lengthy document to explain it all at the end of the process.

Where possible, continuity in product also aids consumer understanding. Gradual evolution in cover to reflect customer and market needs can be a positive engagement opportunity, rather than sudden and significant changes to cover in order to position the product on price comparison sites or to win an extra star.

### How do we ensure we show the profession's best side in the face of major incidents such as 2019 storms and floods and the ongoing pandemic?

It was felt by the group that while the profession as a whole had responded well to challenges such as the 2019 storms, it is understandable that the press focuses on the small number of poor experiences, and that these have a disproportionate effect on public perception. There is limited awareness in the public of the high proportion of claims that are paid-out and the total sums paid.

It is the purpose of insurance to return the customer to the position they were in prior to loss, so this will never be newsworthy in itself, but there have been many examples of going the extra mile to put things right for customers in particular circumstances and the sector should do more to bring these human stories to the fore.

Part of the reason for the expectation gap is that individual customers rarely experience a major loss themselves, and therefore will not personally have experienced the 'moment of truth'. But holding insurance without making a claim should not be seen as a waste of money if more customers can see the consequences of a major loss and how insurance can come to the rescue.


# Innovation

## Are we empowering our people to resolve customer problems and create new solutions?

The group shared a common view that innovation should not always be the result of technological capabilities or cost-saving initiatives. It was recognised that automation can improve processes, but also limit opportunities to delight or respond to unplanned events. Investing in staff with the knowledge skills and authority to contribute to better customer outcomes was seen as key.

To be true to our claims to be customer-centric we must look at how claims are experienced through an individual customer lens, not just at the high-level of annual claims ratios.

*There is a benefit curve to automation that follows a law of diminishing returns as it improves the efficiency of a process at the expense of flexibility or human interaction. Insurance should be at the heart people working with people: the flexibility to do the right thing at the right time is key.*




Nick Turner

*It's about knowing what a good job looks like and incentivising people to achieve that - which isn't always about getting it done quickly.*



Mike Crane

*There are claims where face to face human contact is important where the situation is complex, but there are many other cases where speed and simplicity really are more important, and automation may be the best way of achieving that. The key is not to confuse the two or assume one size fits all.*



Jon Sykes



# Recommendations and actions

## Positive steps the sector should prioritise to create a positive culture build public trust in Personal Lines

As outlined in the FCA's supervisory approach to culture, it is vital that the tone is set from the top, but equally that as a sector we empower all our people with the skills, incentives and tools to understand customers' needs, develop solutions, advice and guidance to lead to consistently better outcomes.

But that won't happen without concerted action on a number of fronts.



## Recommendations and actions - continued

# 1. The expectation gap: what are its causes, and how can the profession take steps to reduce it?

### What can the CII do?

Measure the expectation gap and provide actionable insights to help firms to address its root causes.

Share good practice and what works within expert communities such as the Societies of Claims Professionals, Underwriting Professionals and Insurance Broking.

Develop guidance and standards to improve transparency and customer understanding such as **'Transparency and insurance - a Companion to the Code of Ethics'**.

Facilitate further collaborations within Personal Lines leadership community to understand how customer attitudes may have shifted as a result of the Pandemic and how insurers have responded.

### What can insurers and brokers do?

Ensure that customer feedback that indicates missed expectations is gathered and shared to drive improvements and innovation.

Look at customer engagement holistically, considering where human contact and flexibility may drive more value than speed and cost of process delivery.

Publish and promote case studies, scenarios and examples to bring to life how insurance typically responds to real life situations, such as repairing a home after a flood or receiving medical treatment abroad in a travel policy.

Support skills, knowledge and behavioural development to empower staff to redress the expectation gap.

### What can individual professionals do?

Seek to understand the full customer life journey, your part within it and any opportunities to improve the ultimate customer outcome.

Seek to understand, follow and share good practice and ethical guidance that contributes to improved customer outcomes.



## Recommendations and actions - continued

### 2. Pricing vs product: how do we encourage customers to engage in risk and product or service benefits beyond a focus on price?

#### What can the CII do?

Provide guidance and raise awareness of customers' financial risks, engagement and support throughout their lives.

Promote the use of the Chartered badge as a way of distinguishing firms on value not price.

#### What can insurers and brokers do?

Ensure product strategies embody the company culture and lead to sustainable customer outcomes.

Consider signing up to the **Inclusive Customer Financial Lives pledge**.

#### What can individual professionals do?

Invest in product and customer knowledge to ensure you understand how products respond to real life situations, how they compare with alternative and competing products.

Consider your own financial life journey, risks, decisions and how the insurance sector responds to improved financial resilience.

## Recommendations and actions - continued

### **3. Embedding positive culture: led from the top and supported through governance, appropriate incentives and empowered people**

#### What can the CII do?

Embed relevant ethical content in qualifications framework, CPD and corporate learning solutions.

Promote professional standards and deliver leadership opportunities for companies and individuals through the Chartered programme.

Work with the regulator to ensure the requirements of Chartered status demonstrate alignments with regulatory objectives.

Provide platforms and initiatives for professionals to share and develop good practice.

#### What can insurers and brokers do?

Ensure incentives, rewards and processes are aligned with the company purpose.

Encourage and support professionalism and skills development to empower staff to contribute to positive customer outcomes.

#### What can individual professionals do?

Seek opportunities to contribute to positive culture, identify and call out opportunities to improve customer outcomes.

Join and contribute to peer networks and communities of practitioners.

## Recommendations and actions - continued

### **4. Innovation for good: Enabling and encouraging people to resolve the right customer problems and create valuable solutions**

#### What can the CII do?

Provide relevant training and skills to meet current and future needs of the sector.

Develop qualifications and training to address the increasing digitalisation of personal lines insurance.

#### What can insurers and brokers do?


Empower and drive broad skills adoption that enable staff to understand and resolve customer challenges and add value.

Ensure strong learning links between complementary functions and departments – in particular between underwriting and claims.

#### What can individual professionals do?

Consider personal skills gaps and future-relevance to ensure you are able to understand customer risk resilience, how insurance responds and how Customer outcomes can be improved.

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