

Brokers and intermediaries

Consumer Duty

Frequently asked questions

1 Is HSB aware of the Consumer Duty and how it applies?

At HSB, we continuously conduct horizon scanning to ensure we are meeting our regulatory responsibilities. When the FCA published the Consumer Duty final rules and guidance in 2022, an implementation plan was created and approved by the Board for the 31 October 2022 deadline.

We are aware all reviews must be completed by 30 April 2023 and implementation finalised by 31 July 2023 and have plans in place to comply with these deadlines.

2 What key information will be available following the 30 April 2023 FCA deadline?

In addition to a general overview of the work we are completing on Consumer Duty, documentation under each of the four areas (1. Products and Services; 2. Price and Value; 3. Consumer Understanding; 4. Consumer Support) will be available. This documentation and support includes:

- Insurance Product Information Documents (IPID)s or Product Summaries (where applicable)
- Product approval process information
- Distributor Product Information document (DPI) - information covering key product characteristics, target market, who the product is suitable and unsuitable for and key exclusions.
- Fair Value Assessment Outcomes
- Policy Documentation
- Direct contact details for Business Development and underwriting teams to enable direct access to support
- Claims contact information readily available on the website and within policy documentation
- Complaints contact information readily available on the website and within policy documentation
- Product training available on request

3 What key information will be available following the 31 July 2023 FCA deadline?

In addition to the documentation available at 30 April 2023, we will provide:

- Documentation setting out the good customer outcomes and the management information used to assess whether they have been delivered at a product level for key areas 1 and 2 above.
- Documentation setting out the good customer outcomes and the management information used to assess whether they have been delivered at a more general level for key areas 3 and 4 above.
- A refreshed Vulnerable Customers Policy and additional material relating to vulnerable customers.
- Further details of the training provided to all staff.

4 Have you had any difficulty in identifying which of your customers the Consumer Duty applies to, and if so how have you overcome this / what actions have you taken?

We understand that the Consumer Duty regulations apply to a wider scope of customers than just 'retail consumers'. We aim to provide good customer outcomes for all our customers and review both specific management information for our products and management information on a more general level across all our customers.

5 What does "act to deliver good outcomes for retail customers" mean to you?

For each of the four key areas, we have assessed what we understand the customer would consider a good outcome. These identified outcomes are:

Product and Services

- Customers are provided with a product that meets their needs
- Customers are provided with a product where the policy limits are appropriate and sufficient
- Customers are provided with a product where the policy coverage meets their expectations
- Customers are provided with clear and easy to understand policy and associated documentation

Price and Value

- Customers are provided with a product where the cost price is fair
- Customers are provided with a product where the distribution costs do not adversely affect the product's value

Consumer Understanding and Consumer Support

- Customers view marketing content that is clear, fair and not misleading.
- Customers deal with intermediaries that are well informed and understand our product.
- Customers that are vulnerable are identified and appropriate adjustments made.
- Customers are provided with all the necessary information to make an informed decision.
- Customers receive relevant documentation in a timely manner.
- Customers individual needs are considered when they need to use their policy.
- Customers can understand all of the terms and conditions of their policy and understand their obligation.
- Customers are responded to a timely manner in an appropriate way.
- Customers clearly understand how to make any adjustments to their policy and what happens next.
- Customers clearly understand how to make a claim and what happens next.
- Customers have easy access to making a claim and are well informed throughout the claims process.
- Customers are satisfied how they are dealt with when making a claim.
- Customers clearly understand how to make a complaint and what happens next.
- Customers have easy access to making a complaint and are well informed throughout the complaint process.

6 What factors do you take into consideration when assessing whether a 'good outcome' has been delivered for a customer?

To assess whether a good outcome has been delivered, we look at both qualitative and quantitative information. We have identified key management information that is relevant for each of the outcomes listed above, this management information includes, but is not limited to:

- Customer satisfaction surveys/market research
- Broker feedback
- Service delivery data
- Product reviews including testing of the customer journey
- Fair value assessments
- Retention rates
- Cancellation rates
- Complaints data
- Claim acceptance rates
- Declinature rates
- Frequency of claims
- Loss ratios
- Call handling data

7 When assessing Outcome 1 (Products and Services) and Outcome 2 (Price and Value), how has the Consumer Duty changed your approach since the FCA Pricing Practices requirements introduced last year?

Since the introduction of the FCA Pricing Practices, we have focused on viewing our products from a customer perspective, particularly looking at providing fair value. The Consumer Duty Regulations have meant we have further defined what good customer outcomes look like and how we can measure our performance against them.

8 What is your understanding of the customer journey and how you can avoid causing reasonably foreseeable harm?

During product development, we walk through and document the customer journey to ensure that the product design, testing and distribution are meeting the needs of the intended targeted customer. This customer journey testing moves through the customer experience at quote stage, acceptance, renewal, cancellation, policy changes, making claims and making complaints. It is a priority for us to ensure that each stage is appropriate and efficient as it can be and does not cause any reasonably foreseeable harm.

9 How have you considered vulnerable customers and how this might change your approach?

We are currently updating our vulnerable customers policy and producing further documentation so that our brokers and partners can understand our approach more fully. It is essential that vulnerable customers are considered at every point of the customer journey, at the product design stage and throughout the product lifecycle. The FCA 'Guidance for firms for the treatment of vulnerable customers' sets out the key areas of consideration and how adjustments can be made.

10 Have you appointed a 'Consumer Duty Champion' at Board level who, along with the Chair and the CEO, ensures that the Duty is being discussed regularly and raised in all relevant discussions?

Yes, a 'Consumer Duty Champion' has been appointed at Board level and the key issues are discussed at senior management and Board level. We ensure that the customer journey and good customer outcomes are central to the way we operate. In addition to Board level, there are committees such as the Customer Experience Committee and teams that focus on the customer experience.

11 How are you embedding Consumer Duty principles into your business?

The Consumer Duty principle "a firm must act to deliver good outcomes for consumers" is being embedded into our product management lifecycle, to enable us to:

1. Act in good faith toward retail customers.
2. Avoid foreseeable harm to retail customers.
3. Enable and support retail customers to pursue their financial objectives.

Fair Value Assessments and product reviews will be updated to ensure that we've taken into account the good customer outcomes we've identified as critical. As with the FCA regulations stated in PROD4, Consumer Duty will be at the forefront of our design, testing, approval, distribution and monitoring.

Alongside the Board oversight, we'll be tracking Consumer Duty within our management review meetings. We'll regularly review performance against the identified good customer outcomes using the management information we've identified as relevant for each area. Training will also be provided to all our employees to ensure they are knowledgeable and informed.

12 What are the most significant changes you believe need to be made to ensure you are delivering the four outcomes?

The most significant change is the way the management information (MI) is collected, extracted and reviewed. The aim of this is to create robust MI and customer insights to evidence that we're complying with the principle of Consumer Duty.

13 How will you communicate the results of your Consumer Duty ongoing monitoring to your distributors and partners?

We are updating our website with Consumer Duty information to provide brokers and partners with a useful resource. Here you will be able to access resources such as product information. We'll also be able to provide any specific details required on request.

14 Are you on track to meet all of the requirements of the Consumer Duty by the deadlines?

We are on track to implement the Consumer Duty requirements by the deadline date of 31 July 2023.

15 What expectations do you have of your distributors and partners in relation to the Consumer Duty implementation?

We are committed to working collaboratively with our distribution partners to ensure that we provide the best customer experience. We expect our distributors and partners to be knowledgeable about the products we provide and to ensure that the product is suitable for the customer. We also expect that vulnerable customers are identified in order for any suitable adjustments to be made. Additionally, any fees and charges added to the product should be reasonable and should not affect the value of the product.

16 Who do I contact if I require further information?

Please contact your regular HSB contact or alternatively, contact Eve Boyd in the compliance team (Eve.Boyd@hsbeil.com).