



MODEL COMPLAINTS HANDLING

An Insurance Industry
Briefing for Compliance and
Competitive Edge

THIS BRIEFING INCORPORATES

1. A summary of FCA rule changes taking effect in 2016
2. Suggested best practice model complaints handling procedures
3. Useful tips to support your response to the new rules



NEW COMPLAINTS HANDLING RULES REQUIRE ACTION FROM INSURANCE FIRMS

As you will be aware, important changes to the way insurance companies must handle complaints are being implemented by the Financial Conduct Authority (FCA).

The new mandatory regulations equate to a change to complaint handling processes that must be reflected in frontline and reporting practice by insurance firms.

The new rules should mean firms are able to handle more of their complaints in a less formal way, making the process faster and less costly.

However, the FCA is also demanding that all complaints are now reported and that the process is more transparent. New obligations are placed on firms to inform all complainants about their right to refer their complaint to the ombudsman service if they remain dissatisfied.



“Crucially, no complaints will now fall outside of the scope of FCA reporting for regulated firms. All complaints will be reportable, including those handled by the close of three business days.”

1. SUMMARY OF FCA RULE CHANGES TAKING EFFECT IN 2016

THE NEW FCA RULES IN MORE DETAIL

FCA Policy Statement¹ PS15/19, published on 23 July 2015, extended the ‘next business day rule’. This refers to the period of time within which firms are allowed to handle complaints less formally. This period has been increased to include complaints handled within three business days after the date of receipt.

Crucially, no complaints will now fall outside of the scope of FCA reporting for regulated firms. All complaints will be reportable, including those handled by the close of three business days.

Firms will be required to send a ‘Summary Resolution Communication’ (SRC) following the resolution of complaints handled by the close of three business days, informing complainants of their rights to refer a complaint to the ombudsman service. This can be a template message for ease, speed and consistency, rather than the in-depth final response letter required for complaints which have entered the 8 week formal process.

The new rules mean even more complaints data will be gathered, and indeed publicised, by the FCA. Categorisation and contextualisation will be crucial to ensure a fair picture is presented to consumers. The FCA has added and amended categories in the complaints return. There is also a new shortened complaints form for firms receiving fewer than 500 complaints per reporting period.

Effective 26 Oct 2015

Rules limiting phone call costs

Consumer phone calls to firms strictly limited to a maximum ‘basic rate’ with no higher rate numbers.

Effective 30 June 2016

New complaint handling rules

- Extension of the ‘next business day rule’ to ‘close of third business day’
- All complaints are now reportable
- Obligation to raise consumer awareness of the Ombudsman service
- Adjusted FCA complaints return for twice yearly FCA submission.

A NOTE ON LLOYD'S COMPLAINTS HANDLING


Lloyd's operate a centralised process of making sure complaints to Lloyd's policyholders and managing agents are notified to them soon after they are received.

Lloyd's complaints monitoring database in turn allows for the effective monitoring of complaints and reporting to the relevant regulators, but does not absolve managing agents of their own complaints record keeping responsibilities.

Thereafter, the acknowledgment of and response to complaints procedures will feel familiar to experienced complaints handlers. The process is unique; while the managing agent can adopt model wording (produced by the Lloyd's Market Association) to enhance their letters, complainants have the right to request a stage two review by Lloyd's, with the ultimate option to contact the Financial Ombudsman Service (FOS).

Lloyd's submits a return to FCA every six months detailing the number of complaints received as well as publishing these figures on its website. For FOS referrals, Lloyd's will act as the co-ordinator between the Ombudsman and the managing agent.

Lloyd's issues its own complaints handling code, which it also updates regularly in step with FCA's DISP changes. The FCA'S DISP requirements and the Lloyd's complaints code are rule-based: compliance is essential.



"Compliance upholds regulations. Customer service maintains reputations."

LLOYD'S COMPLAINTS PROCESS

Stage 1 Investigation by the managing agent - limited to a written response within 2 weeks.

Stage 2 Complainant can request an independent review by the Lloyd's complaints team.

If the complainant remains dissatisfied they may refer the matter to the Financial Ombudsman Service (FOS).

A photograph of two men in business attire. The man on the left is smiling and looking towards the man on the right. The man on the right is wearing glasses and looking down. The image is partially obscured by a large blue geometric shape that contains text.

NEW BSI STANDARD WILL HELP FIRMS PROVE THEY ARE GETTING COMPLAINTS HANDLING RIGHT

Technical standard BS8543:2015², published in August 2015 by the British Standards Institution (BSI), sets out good practice for complaints handling processes. It introduces companies both in and out of the regulated insurance marketplace to the planning, design, operation, maintenance and improvement of complaints handling systems.

The value of the BSI standard is that it provides a complete specification for the design and implementation of an effective complaints handling process with a level of granularity that is sometimes not set out in the regulatory rules and guidance.

The standard examines concepts behind effective complaints handling: impartiality, confidentiality and sensitivity over and above FCA's DISP requirements.

It provides an excellent external verification that a firm is getting it right. It marks out which firms have the best complaints handling systems, which is a benefit for the company, its clients and its employees.

2. SUGGESTED BEST PRACTICE MODEL COMPLAINTS HANDLING PROCEDURES

BEST PRACTICE IN COMPLAINTS HANDLING

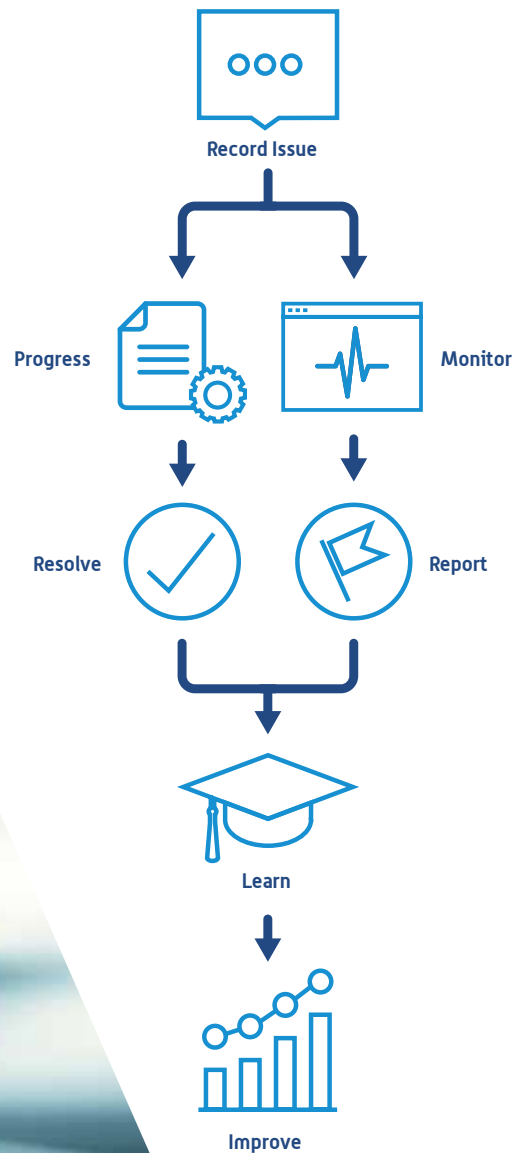
Effective complaints handling will depend on performing a number of steps correctly.

Record


Capture every complaint quickly and record key data (with correct categorisation). Not just for regulatory evidence and reporting, but for business intelligence and as a way of gathering data to highlight problems. Make sure your system will be updated to reflect the new and amended FCA categories in 2016.

Progress

For effective complaints handling, time and responsiveness counts. Early frontline resolution is vital - address customer dissatisfaction quickly at the point of contact to keep costs down. Identify risky cases and issues early, and escalate to the right person. Set expectations around response times and keep stakeholders informed.



“Effective complaints handling will depend on performing a number of steps correctly.”



“The other side of best practice complaints handling is the ability for managers and staff to track complaints progress so that nothing falls through the cracks.”

A system that prompts and alerts staff is invaluable for workload and KPI management.

Resolve

Provide objective, fair and consistent responses. Treatment of the complaint should be the same regardless of how the customer makes contact and no matter whom they speak to. Ensure clear communication at every stage - including the decision and reasons for it, and what options the customer has next if still not satisfied. Using template documents (e.g. Summary Resolution Communication) saves time and ensures consistency. Good complaints management software will provide appropriate templates at key process stages, and will offer the ability for responses to be tailored to individual case circumstances.

Monitor

The other side of best practice complaints handling is the ability for managers and staff to track complaints progress so that nothing falls through the cracks. By monitoring staff productivity, bottlenecks and stalled cases, resources can be quickly reallocated and issues addressed. Real time dashboards with performance monitoring are invaluable here.

Report

- **FCA reporting:** Required twice a year, this is a potentially onerous task that can be made simple with a complaints handling solution that has built in FCA reports. Categorisation at the Record phase is key to this. Reports can be automatically scheduled, created and forwarded to the GABRIEL reporting platform.
- **Information for management:** This should be provided far more frequently than the twice-yearly regulatory reporting, to allow analysis and challenge by senior management.

Learn

Categorise, filter and analyse data to identify root causes, trends and common issues. Complaints are continual opportunities to learn and improve – use them.

Improve

Use Management Information (MI) to make business improvements. Root cause analysis is a regulatory requirement – going a step further and viewing complaints as a change agent for good in a company is a cultural issue and senior management must take the lead.

PAUSE FOR THOUGHT - THE COST OF COMPLAINT HANDLING

The actual 'hands on' cost of complaint handling, even excluding rectification and redress, can be eye-watering if not controlled.

If resolved quickly and effectively, a complaint can cost just £5. If allowed to escalate, it can quickly rocket into thousands of pounds and damage a company's reputation to boot.

If a complaint can be handled at the frontline, whatever the cost of the actual fix, the cost of that complaint is minimised.

Complaints fixed on the phone could cost the organisation no more than £5 - £10.

Emails and letters quickly push this to £200.

Get managers involved and that doubles, trebles, even going into four figures.

If it escalates to the level of ombudsman involvement, £1,200 to £5,000 would be a reasonable estimate depending on the severity. In the worst cases, poor complaints handling can


also lead to fines for the poor handling, on top of costs related to the actual issue being dealt with, not to mention the reputational damage done by social media running riot.

A less scientific but still widely accepted factor, on top of fulfilling obligations, the longer it takes to achieve resolution, the more it takes to placate the complainant from a customer service point of view.

In short, complaints must be dealt with at the front line as far as possible.



"If a complaint can be handled at the frontline, whatever the cost of the actual fix, the cost of that complaint is minimised. Efficient resolution is a key component of good customer service."



“Keep your frontline team fully briefed on your firm’s procedures and regulatory changes, while giving them authority to act rapidly to resolve issues as they see fit.”

3. USEFUL TIPS TO SUPPORT YOUR RESPONSE TO THE NEW RULES

IMPLEMENTATION

There are a number of measures that will help bring about improvements in complaints handling within an organisation.

1 Frontline upskilling

Keep your frontline team fully briefed on your firm’s procedures and regulatory changes, while giving them authority to act rapidly to resolve issues as they see fit. Regular training obviously helps and the senior management team have personal regulatory responsibilities in this area. A workflow based complaint handling system can support training and upskilling initiatives. Built in alerts, reminders and rules can go a long way to making sure staff understand what can and cannot be done at any stage. The system should be easily updated to reflect changes in process and timeframes as they occur.

2 Senior management involvement

This is about accountability; the board need to occasionally sit beside complaint handlers to appreciate the front line - involve non-executive directors as well in this education process.

3 Accessibility

Encourage staff to think about accessibility including supporting clients who might require extra assistance during the complaints handling process. Your system should flag any special requirements (such as Braille or the need to involve a responsible representative) so that the complaint handler is prompted to provide the appropriate service.

4 Trends

Try and keep your complaints MI in a consistent format so that you can overlay consecutive complaints data and start to spot longer-term trends and identify improvements or areas of concern. Reporting tools should support both recurring and adhoc querying of complaints data.

5 Competitive advantage

Strive not only to meet regulatory requirements, but also to be known as the best firm in your field at dealing with complaints and client issues. Focus on speed of turnaround too and this will bring long term commercial benefits to the organisation.

THE WORKPRO COMPLAINTS MANAGEMENT SOLUTION

A practical and manageable approach to complaints handling is essential. For most organisations that will be a software system, one that is easy and attractive for staff to use. But note - 'the system' should be the easiest way to do what needs to be done, and not present yet another challenge to be wrestled with.

The product

Workpro is complaints management software that helps organisations to fully implement the complaint handling requirements of the regulators, as well as the BSI standards referred to above.

Workpro is an 'end to end' complaints system providing full complaint visibility with timely, multiple views as well as all essential reporting. The platform is adaptable and can be used effectively in simple or the most sophisticated and dynamic environments.

Workpro offers a number of immediate benefits to your business.

WORKPRO IS BUILT ON A 3 STAGE PROCESS

Stage 1 - Frontline Resolution


- For issues that are straightforward and easily resolved, requiring little or no investigation
- The system is designed to work within FCA timescales
- Incorporates the most recent FCA reporting requirements
- For Lloyd's complaints Workpro reflects the 2 week limit on written responses by the managing agent.

Stage 2 - Investigation


- For issues that have not been resolved at the frontline or that are complex, serious or 'high risk'
- Once again, within DISP timeline requirements
- For Lloyd's complaints this would be complaints referred to Lloyd's for investigation.

Stage 3 - Review

- For issues that have not been resolved
- This stage would be complaints referred to FOS.



"Workpro is an 'end to end' complaints system providing full complaint visibility with timely, multiple views as well as all essential reporting."



“The process and resolution options are crystal clear to staff, empowering decisions closer to the frontline, while enabling timely escalation.”

CLEAR, CONSISTENT COMMUNICATION

- Letter and email templates save time and promote accuracy
- Correspondence is automatically populated with case data
- Full editing capabilities are available for personalisation of responses.

IMPROVED DOCUMENT MANAGEMENT

- Documents are automatically created at agreed stages in the workflow e.g. Summary resolution communication
- All documentation associated with a case is held and managed in one place.

WORKFLOW AND GUIDANCE

- The process and resolution options are crystal clear to staff, empowering decisions closer to the frontline, while enabling timely escalation
- The steps a user follows (workflow) are driven by the nature of the case type, and the time limits, reminders and validation rules adapt accordingly
- Different case types can follow different workflows.

ACCESSIBILITY AND ALERTS

- Notifications can be added to any case, for example to make staff aware that a client is hard of hearing or needs Braille
- Clear, visual indicators highlight priorities and approaching deadlines.

REPORTING

- Reports can be automatically scheduled or created on demand
- Identify trends and analyse root causes of cases
- Multiple categorisation options
- Built in FCA reporting.

MANAGEMENT INFORMATION

- Real time performance monitoring and dashboards
- Case and task tracking
- Case re-assignment options and automatic escalation.

A FLEXIBLE, LOW COST SOLUTION

- Can be set up as an in-house system or a hosted solution
- Integration with other systems e.g. payments, CRM etc
- Workpro will allow adjustments to workflow, categories and case types over time.

THE COMPANY

Headquartered in Edinburgh, Scotland, CAS is an independent, employee-owned IT company with a complaints handling pedigree that comes from working with a number of ombudsman services. High standards of security and control, and the need to protect sensitive data and cases, are common concerns among CAS customers. CAS provides fail-proof operational IT systems for the military for instance.

Workpro Complaints for Financial Services comes pre-configured to meet the complaint handling needs of financial services firms, with FCA reporting requirements built-in.

Workpro ensures all complaints are dealt with in an effective, efficient manner and that your organisation is complying fully with FCA regulation. In addition the system provides valuable management insight that captures complaints data and helps you to continually improve and deliver better products and services.

Companies that see complaints as a valuable business insight tool really do gain the competitive edge.

**For more information visit www.workpro.com
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