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Consumer Duty Implementation for Insurance Firms: Good and Poor Practice

Regulatory & Compliance on **July 2, 2024**

Background

On 26 June 2024, the United Kingdom's Financial Conduct Authority ("**FCA**") published the findings of its multi-firm review of how insurance firms are implementing the Consumer Duty. In particular, the FCA was seeking to determine how firms monitor, assess, and test the outcomes customers are receiving, along with actions firms had taken after identifying poor outcomes.

Findings

The FCA highlighted that the below causal chain allowed firms to maintain a clear and comprehensive approach to monitoring customer outcomes.

On the other hand, the FCA noted a number of shortfalls in the processes that firms maintained, including:

- **Overreliance on Process Metrics**: The FCA found that many firms were overly focused on process-oriented metrics rather than outcome-oriented metrics, which limits their ability to truly assess consumer outcomes effectively.
- **Lack of Data Granularity**: The data collected by firms often lacked the necessary granularity to provide meaningful insights into consumer outcomes. This deficiency hampers firms' ability to identify and address issues, particularly those affecting vulnerable customers.
- **Inadequate Oversight**: There was insufficient oversight within some firms to ensure that the Consumer Duty requirements are being met. This included a lack of comprehensive analysis and action plans to rectify poor consumer outcomes.
- **Tailored Monitoring Systems**: The review found that many firms did not have comprehensive monitoring systems in place for different groups of customers. This meant that, for example, firms were not able to adequately consider the needs of vulnerable customers.

Next steps

Firms should consider these findings and continue to make improvements to their internal processes. Any gaps in implementation should also be identified and addressed.

The findings may be useful for firms when considering what changes they need to make to meet the upcoming 31 July 2024 implementation deadline for “closed” products and services – existing contracts with retail customers entered into before 31 July 2023, that are not marketed or distributed to such consumers (including by way of renewal).

For more information, please reach out to the Proskauer UK Regulatory Team.

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