

Consultation Response

Draft Guidance for Insurance and Premium Finance Firms

Financial Conduct Authority

May 2020

Ref:

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About this consultation

The Financial Conduct Authority has launched a consultation proposing a range of temporary measures to support users of several insurance products who are facing financial challenges arising from the coronavirus.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Key Points and Recommendations

Firms must report to the FCA how they are supporting vulnerable customers
The FCA must ensure that firms do not change their underwriting criteria to prevent people taking out insurance who would previously have been covered unless the firm can demonstrate how the risk has changed
If a customer or firm r

We fully recognise that many people are encountering financial problems as a consequence of the Coronavirus. Although this is affecting a great many people from all demographic groups, it is important to remember that there are many older people who are also affected. Meeting financial commitments that were previously easily affordable has suddenly become challenging, including for many pensioners, and the flexibility that the FCA is giving insurers to help such customers is to be welcomed.

We have been unable to consider the impact of each of the measures in the short time available to us, but have the following general points to make.

The long-term impact

We are concerned that people will take advantage of the flexibility that is offered without fully appreciating the long-term impacts on their finances, and particularly that debt will still have to be repaid. This is particularly important for older people, who may be on limited incomes and so may have difficulty meeting increased repayment requirements when we return to normal circumstances.

Firms must ensure that older customers taking advantage of these new measures fully understand the long-term implications of any actions they agree with their provider, including the implications for repayments in the future.

Many vulnerable customers, including many older people, may also have difficulty understanding the detail of insurance products, and the implications for them. While they may have understood how the product worked when they took it out, issues such as cognitive decline may mean that this is no longer the situation. Firms need to be particularly supportive of such customers, and the FCA should require firms to report to them how they are using the new provisions to support customers, and how they are helping vulnerable customers.

Risk Profiles

We welcome the FCA's recognition that risk profiles of customers may have changed, and so it may be consequently appropriate for a firm to alter a customer's insurance product to reflect that changed risk.

We agree that altered risk profiles mean that insurance requirements may be different from when the policy was taken out, and so it may be possible for an insurer to change the coverage to reflect this changed profile and offer a reduced premium by, for example, removing business use from a motor policy.

However, older people often find that insurers are unwilling to cover them, or offer prohibitively high premiums that may not reflect the actual risk to the insurer or the risk profile of the consumer. Indeed, we have welcomed the FCA's interest in seeking to address some of these issues in the travel insurance market, and signpost older customers and those with long term conditions to providers who are able to help them.

means of communication or whose complex requirements mean that they need to speak to their firm to receive appropriate help.

Insurance firms should be encouraged to establish special helplines for vulnerable customers, and, where appropriate, proactively contact vulnerable customers to see if they need any help. Several high street banks have developed similar services for their account holders that have been found to be very helpful for ensuring that vulnerable customers receive the support they need, and similar facilities should be provided by the insurance sector.