

Assessing Customer Needs

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The Insurance Distribution Directive (IDD) expects insurance distributors to have sufficient knowledge to assess customer needs.

You must identify a customer's unique requirements. This can be done by gathering relevant information and evaluating their level of knowledge.

Suitability and Demands & Needs

These two key elements of assessing customers' needs are frequently used in the insurance industry. The FCA has strict rules regarding the above and can be found in the Insurance Conduct of Business Sourcebook (ICOBS).

What is Suitability?

Something is suitable if it is correct or appropriate for a particular person, purpose or situation. You will be able to complete this via your fact find and thorough investigation.

What are Demands & Needs?

People have a variety of demands or requirements when looking for insurance. You have to understand what the customer is seeking. Often the customer will have a rough idea of what they are looking for.

They might not be fully aware of their requirements or needs, which is where you step in.



The Role of the Adviser

It's down to you to assess what the customer wants and needs, utilising the customer fact find to gather information.

Based on this, you will recommend a policy or policies suitable for the customer's demands and needs.

By accepting the instruction to act for the customer, you have taken on the responsibility of finding appropriate financial services products.

It is essential to ensure that all the necessary information is obtained from the customer. Remember, an insurer could refuse to pay a claim if there is a deliberate misrepresentation or non-disclosure.

Gathering Information & Record Keeping

Client information can be gathered in many ways, including face-to-face, phone calls, email/text, and online forms.

- Critical areas for information gathering are:
- How can you contact the client?
- What are the client's demands and objectives?
- What is their knowledge of insurance?
- Identify who owns the insured property.
- Identify the insured property.
- Identify any other property that is insured or might need to be insured.

Be sure to keep a detailed record no matter how you got the information. The better the record, the easier to understand the information in the future. All customer records should allow colleagues to easily continue dealing with that customer in the event you are unavailable.



FCA Obligations

Advisers are required to provide clients with relevant information about disclosure and highlights your duty to ask clear questions relating to the insurance policy arrangement,

There should be prominent warnings about answering all insurer questions honestly and reasonably.

You have to rely on the client to provide accurate details, so you should ask thoroughly if you have suspicions of misinformation. Remind the client if the information isn't correct, then their insurer may not pay a claim.

Make sure information is up to date. With all of your clients, you should get in touch annually to ensure that their information is up to date and that their circumstances have not changed.

Treating Customers Fairly

The main Treating Customers Fairly expectations are:

- All valid claims are met.
- The cost is competitive for what is covered and provided.
- The service is to a standard that is reasonably hassle and stress-free.

Clients need to be made aware of where the above expectations might not be met, in a language they can understand.

An insurer might not pay a claim if there is deliberate or reckless non-disclosure or misrepresentation by the customer. You should ensure that this potential issue is communicated clearly to the client. This is treating your client fairly.



Evaluating the Customer's Knowledge & Understanding

Background

Clients need to know and understand what they're buying, particularly how the policy meets, or doesn't meet, their demands and needs. It's vital to ensure customers understand insurance arrangements recommended to them, placing them in a position where they can make an informed choice.

Your Responsibilities

You must be able to:

- Identify the different levels of client knowledge.
- Understand how to assess a client's knowledge.

Assessing the customer's knowledge is integral to understanding their needs. Don't make any assumptions about what the customer does/ doesn't understand. Tailor your advice based on the customers' existing knowledge.

The Customer as a Layman

It's to best assume the customer has little understanding of insurance. They are likely to know very little about insurance. The customer will therefore require things to be explained in plain, simple terms.

Explaining Recommendations to the Customer

Customer Understanding

Explain the insurance policy you're recommending so that the customer knows about the policy terms and conditions, which, if not met, could lead to a claim being reduced or rejected.



Ensure the customer understands the obligations they're taking on if they agree to the recommended insurance policy.

Tailoring Explanations

It's essential to the needs of a client with very little or no knowledge of insurance, with regards to your explanations. Treat them with care.

Important Documentation

IPIDS

The critical document that helps to explain the cover a policy provides is the Insurance Product Information Document (IPID).

These must be issued by anyone selling insurance at the start of a new contract or renewal.

The IPID is compulsory and prescriptive and must provide the customer with clear answers to the following eight questions:

1. What is insured?
2. What is not insured?
3. Are there any restrictions on cover?
4. Where am I covered?
5. What are my obligations?
6. When and how do I pay?
7. When does the cover start and end?
8. How do I cancel the contract?

Firms can add further questions if they wish to do so.



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