

ASSESSING *Customer Needs*

Read time: 9 mins



Hello,

The Insurance Distribution Directive (IDD) expects anyone involved in 'insurance distribution' to have the minimum necessary knowledge to assess customer needs.

Therefore you must be able to identify what a customer requires; this will involve gathering relevant information from them and evaluating their current level of knowledge.

This guide will explore the key areas you will need to consider whilst assessing customer needs to ensure the advice you provide to your customer meets their requirements.

This ebook is brought to you by:

Learning *lab* 

Assessing Customer Needs

Suitability, Demands and Needs

Two key elements of assessing customers' needs are Suitability and Demands & Needs. Indeed, the terms suitability, demands, and needs are used frequently in the insurance industry.

The FCA has strict rules regarding them. These 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.

Finding the most suitable option in any situation can be challenging; it requires thorough investigation. You will be able to complete this via your fact find.

What are demands and needs?

People have a variety of demands or requirements when they go shopping, which can also apply to insurance policies.

Your first job is to understand what the customer is seeking. Often the customer will have a rough idea of what they are looking for; however, they might not be fully aware of their requirements or needs.

Assessing Customer Needs

The Role of the Broker

It's your job to get to the bottom of what the customer wants and establish what the customer needs based on a competent information-gathering exercise (fact find).

Based on this, you will recommend a policy or policies suitable for the customer's demands and needs. You must tell the customer if the policy you recommend does not suit their demands and needs.

By accepting the instruction to act for the customer, you have taken on the responsibility of finding financial services products such as insurance to fit their needs.

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. If your client should ever have a claim rejected, they might blame you for your role in setting up the policy.

Gathering Information and Recording Keeping

Client information will be gathered in various ways, from face-to-face meetings, over the telephone, e-mail or even via an online form or application that the client has submitted.

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.

It is, therefore, vital that there is a good record kept, regardless of how the information is obtained. A good record will be easily identifiable in the future, i.e., it will be clear who had the conversation with the client and when. All customer records should allow colleagues to easily continue dealing with that customer in the event you are unavailable.





FCA

Obligations

FCA Obligations

Disclosure & Record Keeping

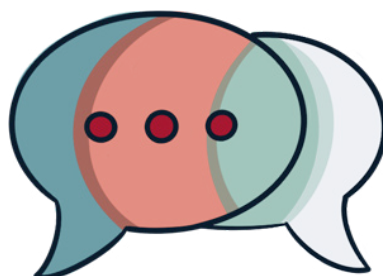
The FCA requires brokers to give the client appropriate information about disclosure (i.e. the things you should make known to your client) and also highlights your duty to ask clear and specific questions relating to the information about the policy to be arranged.

Whenever you send information to a client, there should be a prominent warning about the duty to answer all the insurer's questions honestly and reasonably.

Unless there is any reason to suspect otherwise, you have to rely upon the client to provide accurate information. However, you should question the client more thoroughly if you have any suspicions, reminding the client that if they make a statement that is not true, the insurer may not pay a claim.

You should take reasonable steps to ensure the client's information is up to date. Therefore, if in any conversations you have with the client, the client mentions something relevant to the insurance, you should check that this doesn't impact their coverage by contacting Source.

The best practice is to get in touch with your clients annually to ensure that their information is up to date and that their circumstances have not changed.



FCA Obligations

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.

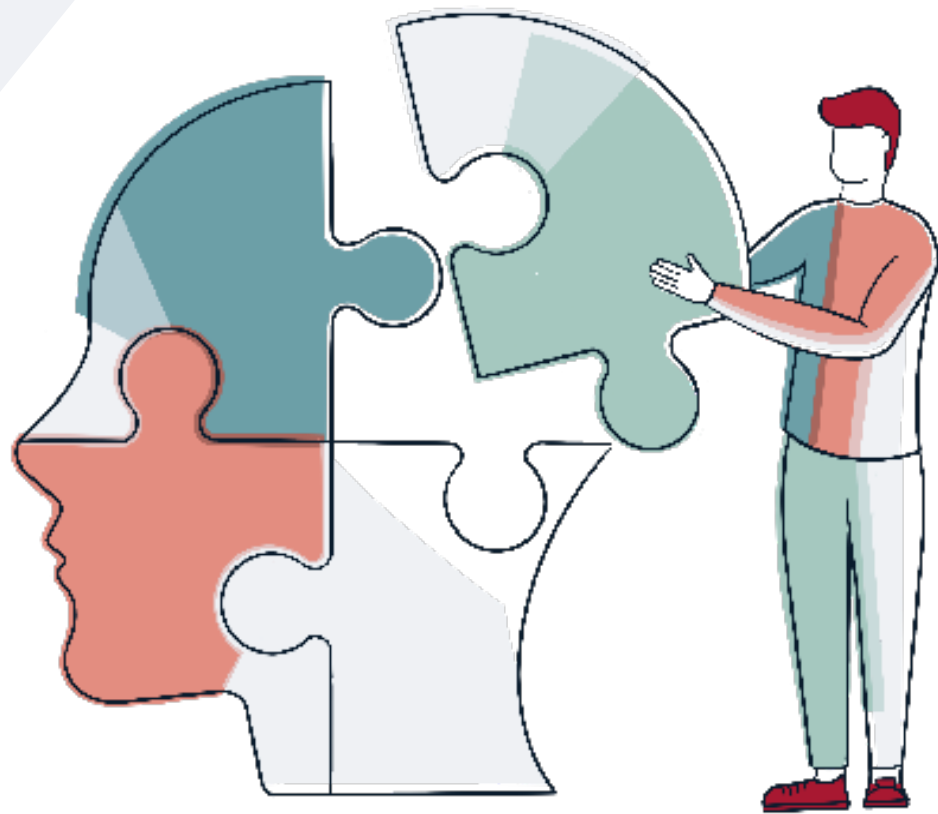
Clients need to be made aware of where the above expectations might not be met.

You will need to do this in a language they can understand.

An example of where the treating customer fairly objectives are not met is where an insurer might not pay a claim if there is deliberate or reckless non-disclosure or misrepresentation by the customer.

When discussing their home insurance, you should ensure that this potential issue is communicated clearly to the client.





CUSTOMER

Knowlegde &
Understanding

Evaluating the Customer's Knowledge & Understanding



Background

An essential aspect of suitability is ensuring the client knows and understands what they are buying, particularly how the policy does or does not meet their demands and needs.

It is vital to ensure that customers understand the insurance arrangements that you recommend to them and that they are 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, and you should not make any assumptions about what the customer does or does not understand.

You can tailor your advice and explanations based on the customers' existing knowledge.



The Customer as a Layman

It is best if you assume that the customer is a layman when it comes to understanding insurance.

A layman is someone who lacks specialist knowledge in a particular subject, meaning that, for example, they will know very little about insurance.

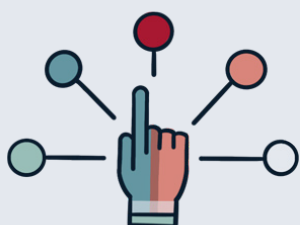
The customer will therefore require things to be explained in plain, simple terms.



EXPLAINING

Recommendations

Explaining Recommendations to the Customer



Customer Understanding

You should explain the insurance policy you are 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.

You need to ensure that the customer knows and understands the obligations and responsibilities they are taking on if they agree to the recommended insurance policy.



Tailoring your Explanation

It is essential to consider whether the explanations you provided meet the needs of a layman with very little or no knowledge of insurance.

Most of your clients are likely to be insurance novices and have little knowledge or understanding, so you will need to treat them accordingly.



INSURANCE PRODUCT INFORMATION DOCUMENTS

IPIDs

Important Documentation

IPIDS

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

IPIDs were introduced as part of the Insurance Distribution Directive (IDD) and 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.



SourceTM

Your Property Insurance Experts

Source Insurance Limited | Registered in England & Wales no. 2864963
Authorised and regulated by the Financial Conduct Authority.