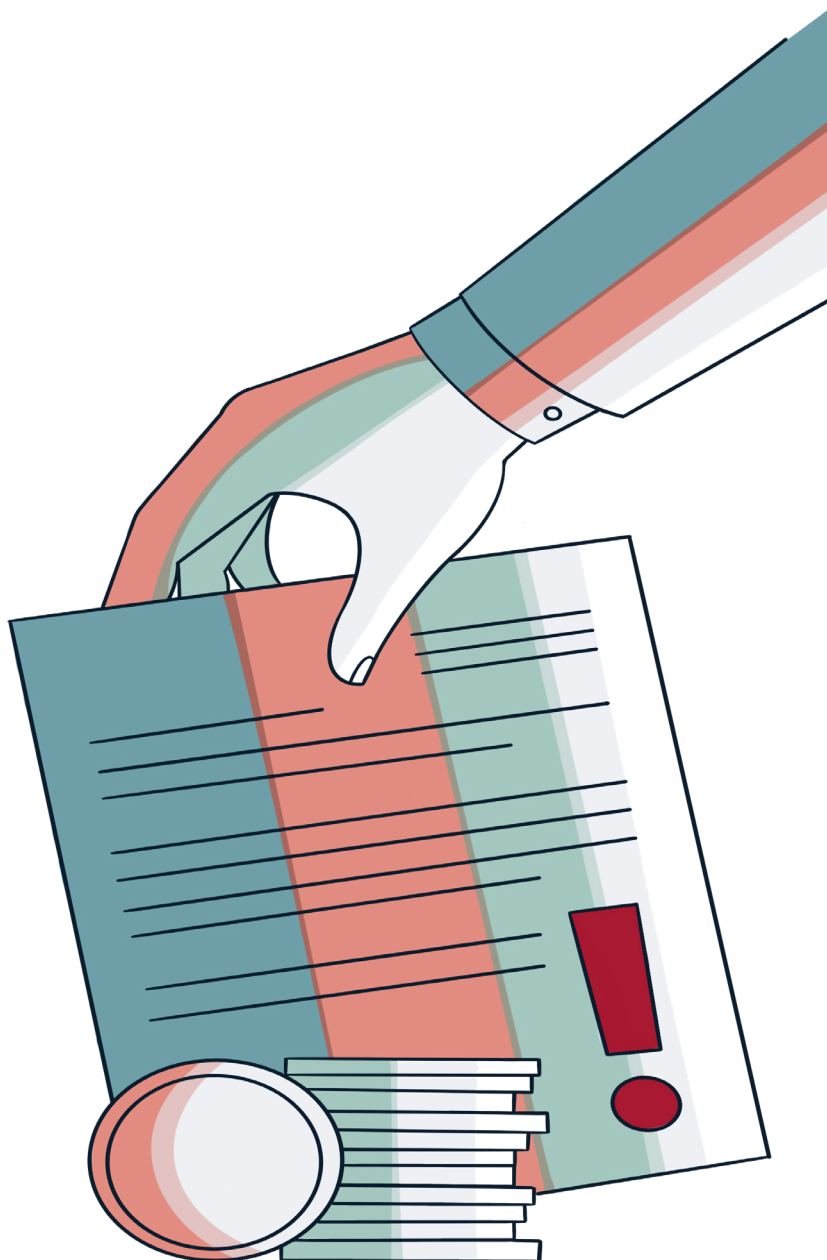


CLAIMS

Handling

Read time: 9 mins



Hello,

The Insurance Distribution Directive (IDD) expects anyone involved in 'insurance distribution' to have the minimum necessary knowledge of claims handling.

This guide will explore what a claims is, the regulations governing claims handling, the end to end claims process and how best to support your clients through the claims process.

This ebook is brought to you by:

Learning *lab* 

What is an insurance claim?

Background

An insurance claim is a request to an insurance company for payment to compensate for a covered loss. The insured cannot make a profit from a claim, they can only be reimbursed for the amount of loss suffered.

When someone makes a claim on an insurance policy, they are informing the insurer that they have suffered a loss or damage that they believe is covered by the policy and are requesting action.

The insurer validates the claim, once approved, will provide an appropriate settlement to be insured or an approved interested party on behalf of the insured.

A key principle of insurance is that the insured must have an insurable interest. In other words, the insured must stand to lose financially and have a legal right to insure the subject matter.

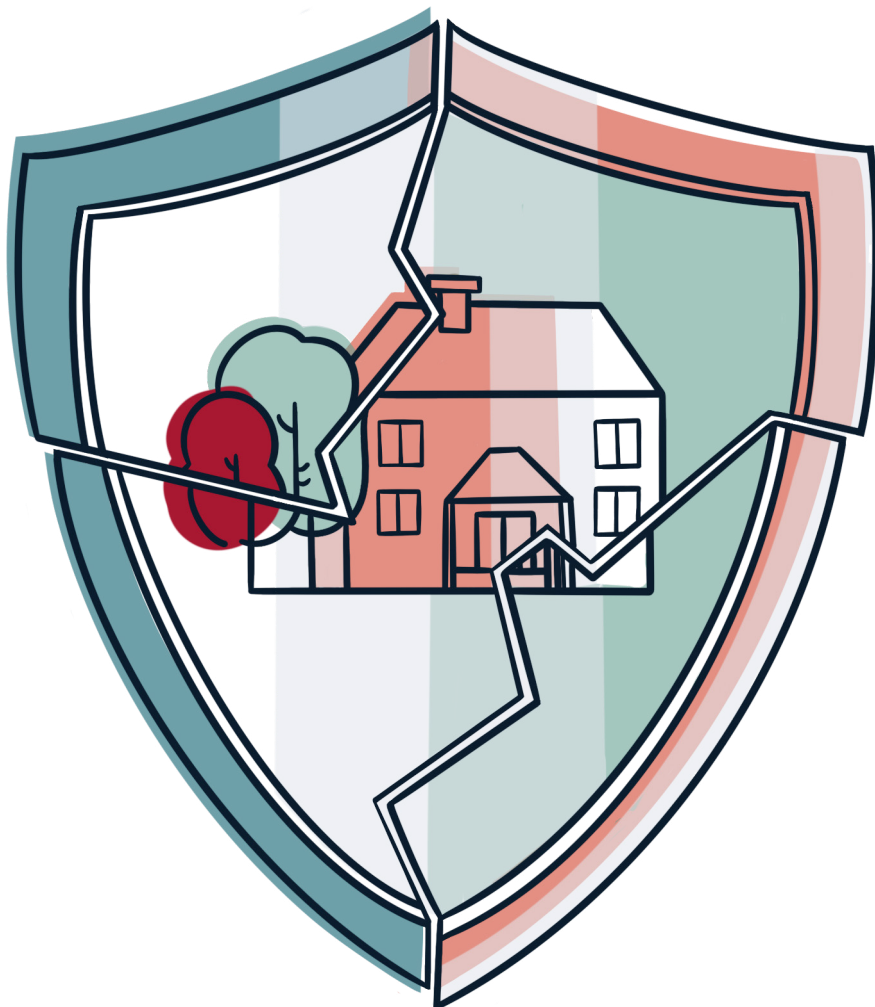


What is an insurance claim?

In practice

If a customer's home is flooded, they will lose financially when the furniture that they own is destroyed. Therefore, they can ensure their belongings against the risk of flood.

However, if a customer has caused damage to a neighbour's property, then as the customer does not own their neighbour's property, they do not have the legal right to insure it and cannot submit a claim for the damage. Their neighbour would need to submit a claim through their insurance policy to compensate for their loss.



Claims Handling

FCA Rules for Insurers & Intermediaries

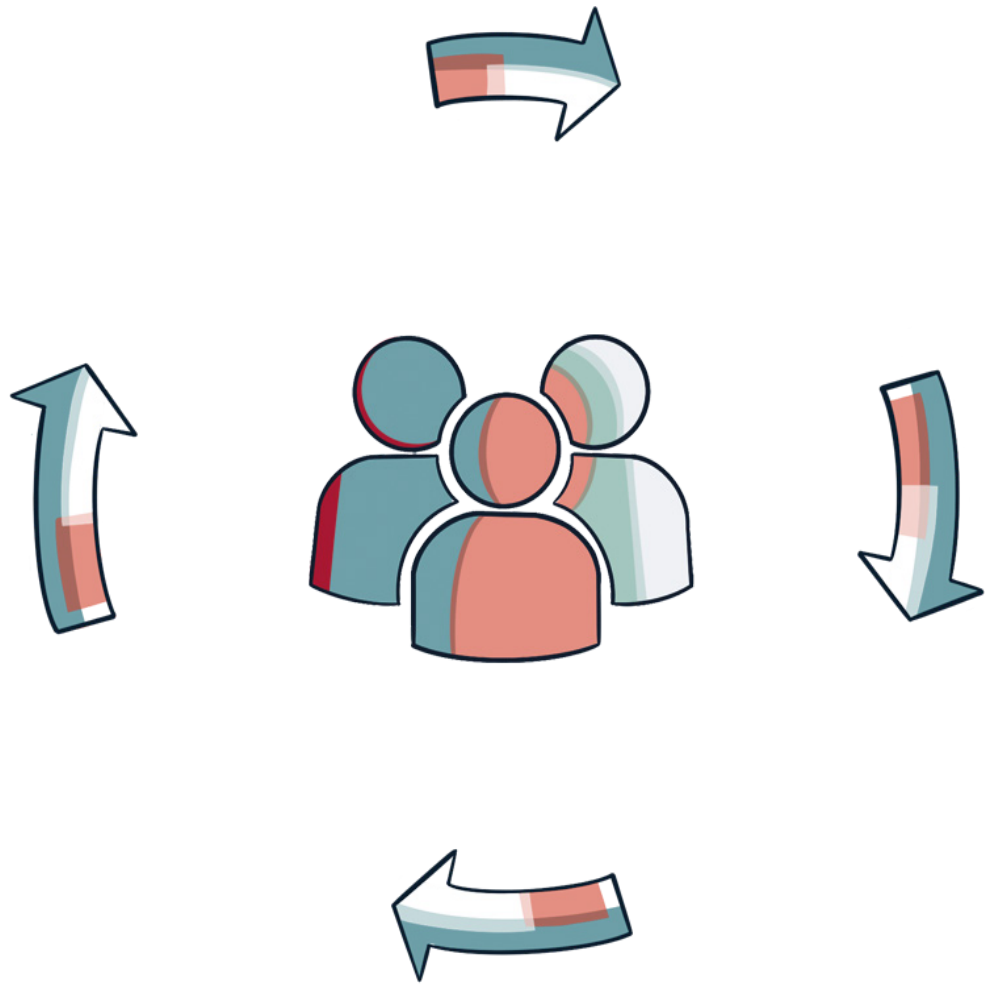
Insurers have the following obligations when dealing with claims.

1. Handle claims promptly and fairly.
2. Provide reasonable guidance to help a policyholder make a claim.
3. Provide appropriate information on the claim.
4. Not unreasonably reject a claim.
5. Settle claims promptly once settlement terms are agreed.

Where firm does not have permission to deal with claims it must pass details to the insurer promptly or tell the customer that it cannot deal with the matter. Source falls into this category, so if your client calls to either make or inquire about a claim, we will support them by completing the actions outlined on pages .

Dealing with claims for intermediaries is based on guidance and principles. As outlined in principle six of treating customers fairly, customers must not face unreasonable post sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Firms will achieve this TCF outcome by providing customers with clear information and periodic updates during the claims process. In addition, firms must ensure customers are not faced with any unreasonable costs or complex procedures.



USE OF Third Parties

Claims & Third-Parties

Overview

Insurers will use a number of third parties to assist with the handling of a claim. These will include loss adjusters, surveyors, repairers and insurance investigation specialists.

The insurer may even outsource their claims department to a third party. For example, Davis Group and Direct Group are claim specialists utilised by insurers.

A third party will need to disclose to a claimant its identity, confirm its function and specific role in relation to a claim. Claimants may also appoint specialist help such as loss assessors.

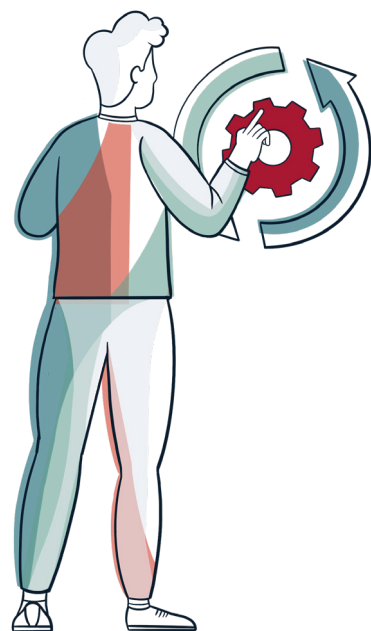


Claims & Third-Parties

Loss adjusters

Insurers appoint loss adjusters to investigate claims on their behalf. They are claims specialists and are usually called upon when costs have the potential to exceed a particular value or the claim appears complex or contentious. They may be a direct employee of the insurer or an independent firm.

Loss adjusters are responsible for establishing the cause of a loss. They will visit the site of the loss to gather evidence and assess damages. Once they confirm the cause of the loss, they determine whether the insurance policy covers it. Following this, they will present the insurer with a report that recommends appropriate settlement based on their perceived validity of the claim.



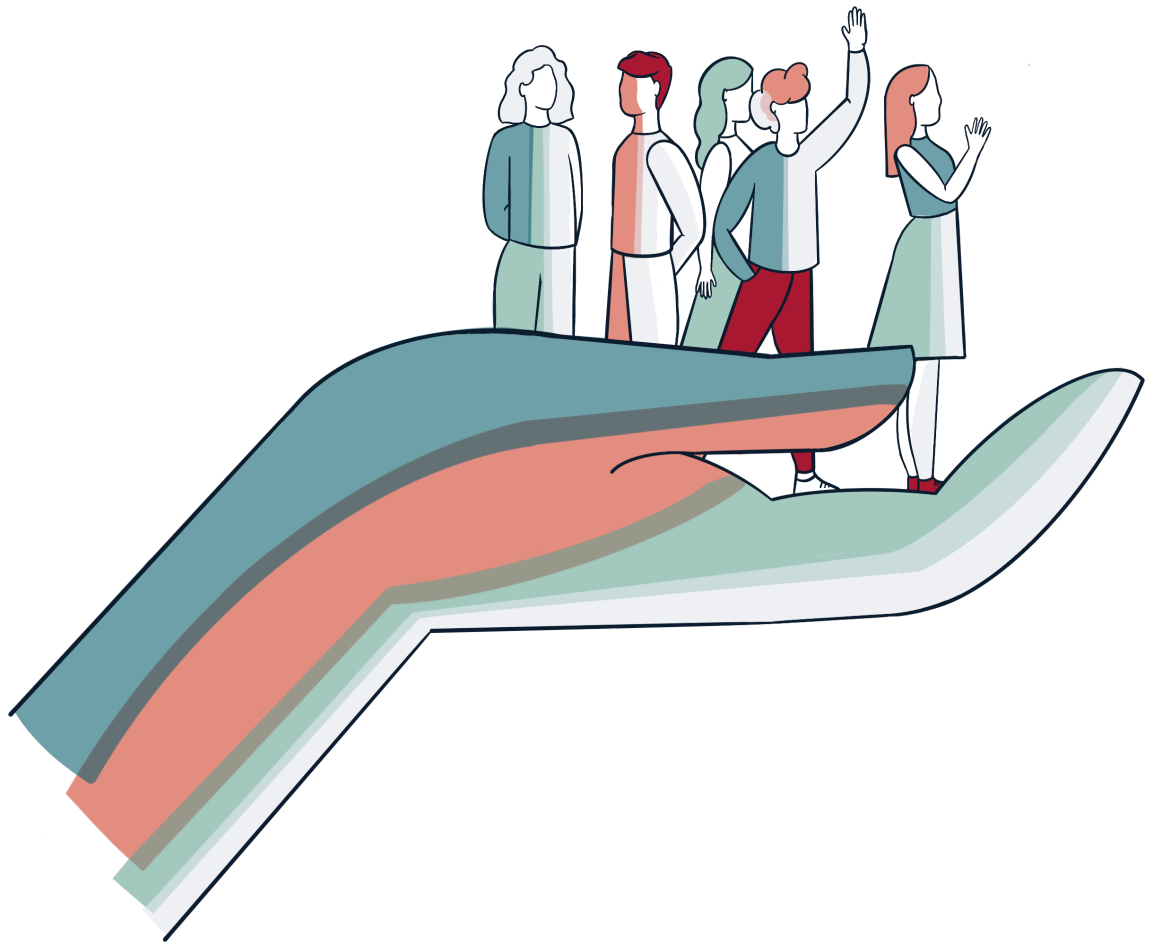
Claims & Third-Parties

Loss assessors

Loss assessors work for the policy holder to assess and negotiate an insurance claim. They manage every aspect of the claim and liaise with the insurance company and any other parties on the client's behalf. They aim to ensure the claimant remains in control and gets the best possible outcome.

Loss assessors can assist the claimant at any stage of a claim. However, the sooner the claimant appoints a loss assessor, the better. They usually take a percentage of the claim settlement or will charge the claimant a fee.





SUPPORTING

Clients

Supporting clients with claims

Your obligations

As part of your obligations under treating customers fairly, you and your firm should:

- Ensure that customers not faced with any unreasonable costs or complex procedures.
- Make the process as straight forward as possible should your customers need to make a complaint.
- Respond to and meet reasonable requests from customers in a timely and appropriate manner.
- Have an agreed process on how to handle notification of a claim from a client.
- By using Source for general insurance business, you can be sure that the documents your client receives at the start of their policy or renewal will:
 - » Contain precise details of what the policy holder must do in the event of the claim.
 - » Include relevant contact details of both their insurer and Source insurance.

Supporting clients with claims

Source's obligations

Our teams will take the following actions should your clients contact us regarding a claim.

1. We will inform your client that it is the insurer that handles the claim, however we are available should they require any assistance during the claims process.
2. We will take details of the problems that they are experiencing and explain that source will assist them as much as we can.
3. We will always offer to transfer the policy holder to the insurance claims department and provide them with the claims contact number.
4. If required or necessary, we will contact the insurer to gather further details and attempt to resolve the issue.
5. After speaking to the insurer, we will contact the policy holder to:
 - a. Advise of the actions currently being taken by the insurer
 - b. Confirm if the claims department is waiting on any activities or information from the policy holder.
6. We remind the policy holder that they can contact us if they require any support as their claim progresses.



Supporting clients with claims

The responsibilities of the insured

The insured has a responsibility to provide any information and evidence asked for, including written estimates and proof of ownership or value.

The insured must tell the police as soon as is reasonably possible if there has been loss or damage caused by deception, theft, attempted theft, vandalism, malicious damage, riot, or loss outside the home.

The insured must take all reasonable steps to get back lost or stolen property and take all reasonable action to protect the property from further loss or damage, for example, making temporary repairs.

The insured is not obliged to report every minor incident of loss or damage when it happens, unless they are considering making a claim. However, when it comes to renewing or taking out home insurance, Insurers will ask about any losses that could have led to a claim, even if it was not pursued.



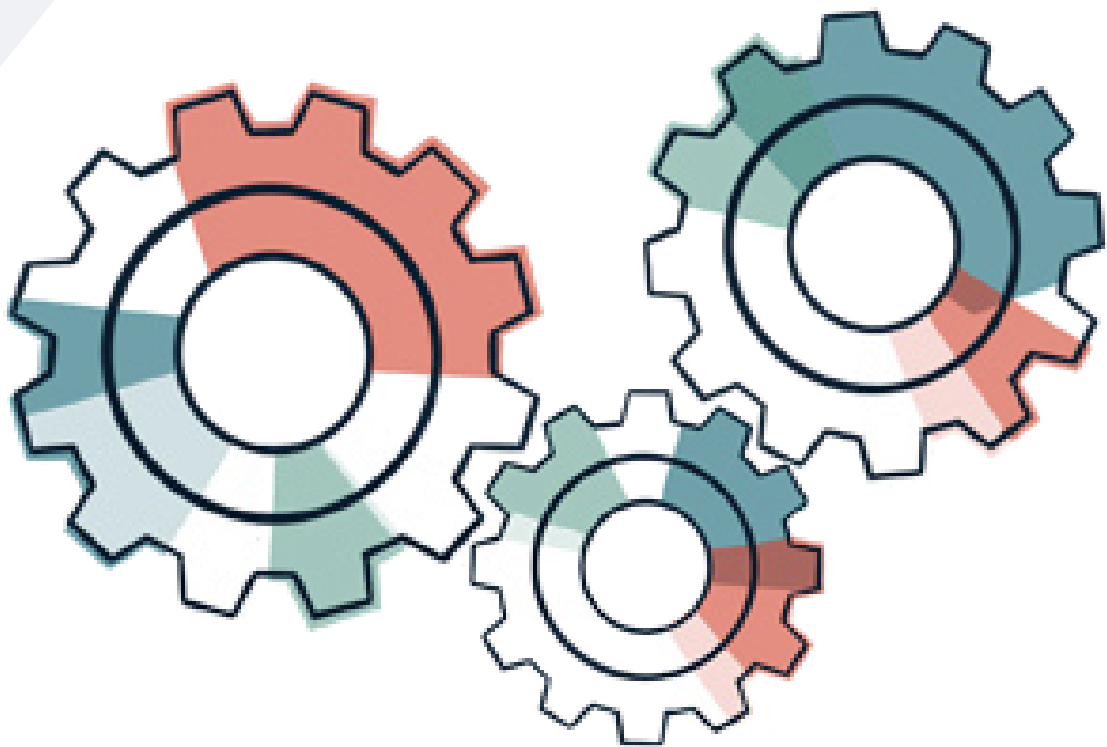
Supporting clients with claims

The responsibilities of the insurer

In line with the FCA conduct rules, a claim should be handled with:

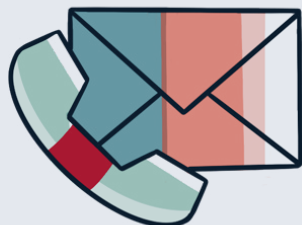
- » Integrity
- » Expertise, skill, care and diligence
- » Due regard to the customer, treating them fairly
- » Proper standards of market conduct.





THE CLAIMS Process

The Claims Process



Step One - Contact the insurer

It is the insured responsibility to try and mitigate any loss or damage to their property as soon as possible and then contact the insurance company. Therefore, the insured should appoint a plumber to stop a leak from causing more damage or contact the police as soon as possible following a burglary.

The insured will need to provide details of the claim to the insurer. This is done either over the phone or via a form.



Step Two - Investigation starts

If the home insurance claim is for a large amount, the insurer is likely to send a loss adjuster to the risk address. They will confirm the loss or damage stated in the claim and assess how much it will cost to replace or repair. The loss adjuster will also identify any liable parties.

The insurer may request evidence from the claimant to prove the validity of the claim, such as original receipts, original police reports, valuation reports, product make, model and serial numbers, photographs or videos of property or items, or the event itself.

An insurer may send qualified tradespeople to the insured property to quote for the repair work, or the insurer may ask the insured to secure their own quotes for the insurer to consider.

The Claims Process



Step Three - Policy reviewed

Once the investigation is complete, the loss adjuster will go through the policy carefully to determine what is and isn't covered. Their decision is then based on the level of cover the policy has against the terms and conditions of the insurers policy wording.

Source provide the insurer with the schedule. This allows them to comparatively analyse the clients cover and the policy wording.



Step Four - Damage evaluated

In order to accurately evaluate the extent of the damage, the loss adjuster may appoint engineers or contractors to lend their expertise. Once the evaluation is complete, the insurer will appoint an approved contractor to help with the repairs. The insured is not obligated to use the insurers contractors.



Step 5 - Settlement arranged

Before the repairs have been completed and lost or damaged items had been replaced. The insurer will contact the insured to request the excess. The insurer will then settle the costs directly with their contractors or suppliers. Insurance companies should promptly assess all submitted claims and pay out all claims that are covered by their policies.

Claims Process

Settlement

Many household policies now provide new for old cover. It is the insurer, not the policyholder, who decides whether the claim should be settled by repair, replacement, reinstatement, cash settlement.

The financial ombudsman service view is that insurers must exercise this power reasonably in the circumstances of the individual case.

Repair

Where an insurer opts to repair, they would first look to appoint their own approved contractors. If a policyholder insists on using their own contractors, the insurer will request a professional estimate for the works required.

The insurer will evaluate the costings against their own contractors estimate and will only agree on costs that match or are lower than their own.

They will only repair the damaged areas and not any area where it simply matches the damaged area, for example tiled walls or bathroom suites.

Claims Process

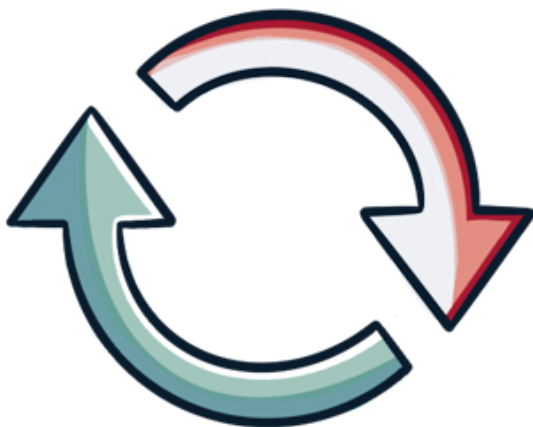
Settlement

Replacement

Replacing item is only a reasonable option if the object being claimed for can be replaced. If the object is antique jewellery, the insurer is not able to insist that the claimant buy a modern replacement.

The Financial Ombudsman Service would not regard it as reasonable for the insurer to make a deduction from the cash settlement to represent any discount it would have got if the policy holder had bought a replacement from one of the insurers nominated suppliers.

If the option of replacement is not available, then the only way in which the insurer can indemnify a claimant is by a cash settlement.





SHOULD YOUR CLIENT

Make a claim?

Should I make a claim?

The insured will consider the following when they are deciding on whether they should make a claim.

Cost of loss

When faced with several thousands of pounds worth of damage or theft, the case for the insured to make a claim is pretty obvious. However, where it wouldn't break the bank to fund repairs or replacements themselves, then the insured may decide it's not worth making a claim.

Excess

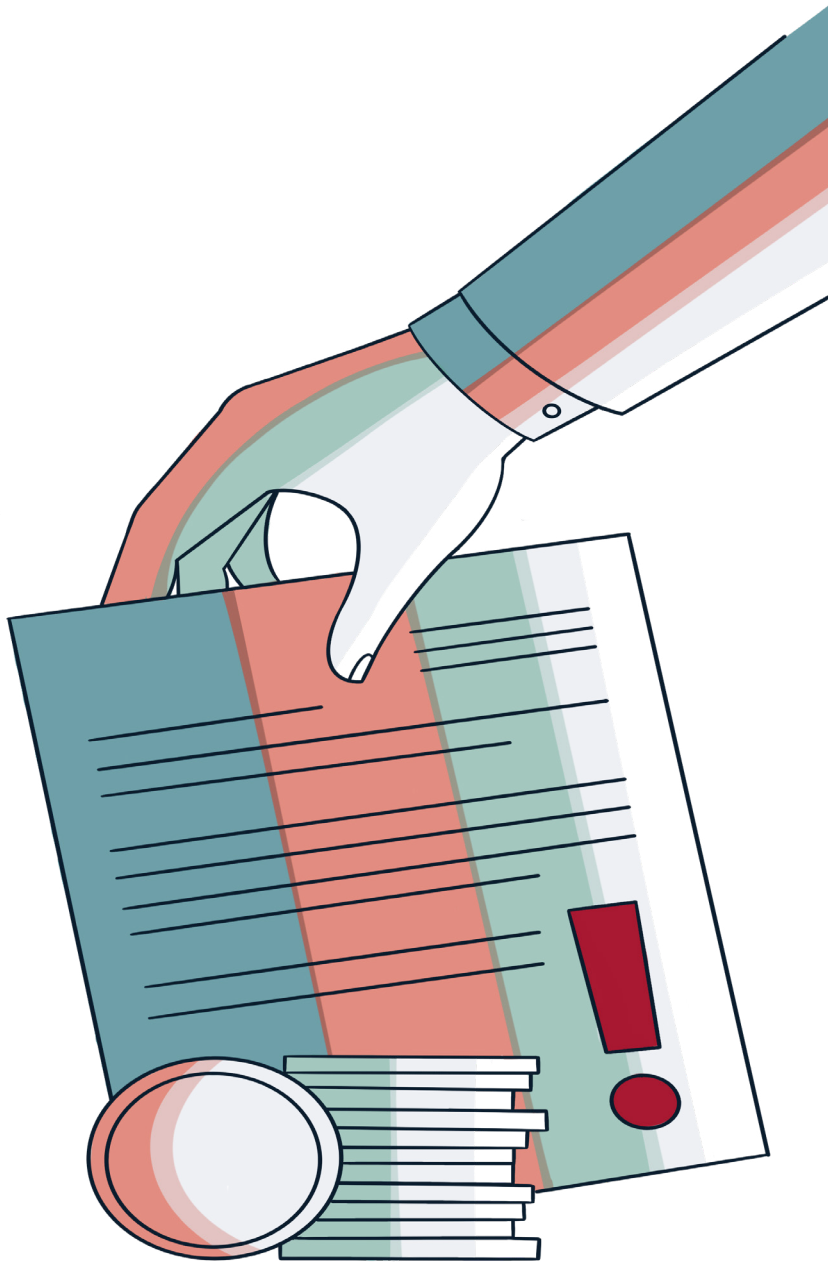
The amount of excess that the insured has to pay will also determine whether they decide to make a claim.

Future premiums

The insured may hesitate in proceeding with the claim due to the potential impact on future premiums. Recent claims or incidents affect the insurers view of their level of risk and so they may adjust the premium to reflect this. Remember, by simply notifying the insurer that they have experienced a loss despite not claiming may impact the renewal premium.

Future cover

A history of the same claim type can result in the insured being subject to additional endorsements or the insurer may even exclude the risk altogether.



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