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Findings of Themed Inspection on claims handling for Payment  
Protection Insurance policies

The Financial Regulator conducted an examination of the claims handling processes for Payment Protection Insurance (PPI) policies. This examination was conducted as it was considered that due to the current economic environment, there may be an increase in claims on these policies. The examination sought to identify possible claims related issues before they arise and assess whether reasons for declining to pay out on policies were appropriate. It did not focus on the sales process of PPI products which are typically sold through banks, building societies, credit card providers, credit unions and to a lesser extent independent brokers.

The examination found that:

- Where claimants have satisfied the terms and conditions of the policy, the insurance companies have carried out the claims handling process in an efficient and fair manner.
- The highest number of declined claims on illness/disability grounds related to claimants' pre-existing medical conditions, while the highest number of declined claims on unemployment/redundancy grounds related to employment criteria not being met by claimants.
- In the course of the onsite inspections it was noted that some claims can be delayed while the firm is waiting on verification from third parties such as doctors and previous employers.

The Financial Regulator has written to all providers to inform them of the findings of the themed inspection and has advised firms that:

- Sellers of these products should ensure that the relevant exclusions, together with qualifying periods at the start of policies, are highlighted to the consumer at the point of sale.
- Insurance companies should ensure that the sellers of regular premium PPI products are aware that the premiums for these policies are not necessarily fixed and may increase. As this may affect whether the consumer can afford the premiums in the subsequent years, firms need to impress on the PPI sellers that this should be highlighted in any product sales material.
- The present practice across the PPI industry is that, unlike, for example, life assurance policies, firms do not gather information from customers on their state of health or medical history. This information is analysed at the time of a claim being assessed. Firms must ensure that this practice, and its consequences in relation to claims handling, are fully explained to consumers at point of sale.
- Firms should endeavour to ensure that consumers are not disadvantaged due to excessive delays on the part of third parties in supplying claim related information.