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Consumer Protection Codes Department  
Financial Regulator  
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10 August 2010

Dear Consumer Protection Codes Department,

### **Response to CP 45**

We welcome the opportunity to provide our views on the proposed amendments to the Requirements in response to the 'Review of Minimum Competency Requirements Consultation Paper CP 45'.

As invited to do so in the paper, we have also taken the opportunity to raise issues not raised in the paper but integral to the Requirements.

### **Additional Proposals**

#### **Grandfathering**

Proposed change: To ensure a consistent standard across the industry, the Financial Regulator is considering phasing out 'grandfathering arrangements over a four-year period so that all grandfathered individuals will have to achieve a recognised qualification by 2015;

Our response: *We support this change. This would deliver consistency across the industry and also ensure that the same level of training is administered and promote the importance of the MCR.*

#### **CPD Hours**

Proposed change: Changing the current three-year cycle for CPD to an annual requirement. The new annual requirement, which will only be made up of formal development hours that can be verified, will be 15 formal hours.

Our response: *We support this change. We feel that this is a more structured approach to CPD hours and will make it easier to facilitate the development hours while keeping it relevant and fresh for the people concerned.*

### **Administrative functions**

Proposed change: It has been suggested that there are different views in the industry on the application of the Requirements to areas that deal directly with consumers in relation to amendments to policies. It is our view that this activity falls within the scope of the Requirements as dealing with amendments to policies would involve arranging and/or providing advice on the policy concerned. We would welcome your views as to whether this activity should be separately specified and whether there are any other activities that should also be separately specified. In particular, we would be interested in receiving views as to whether different issues arise depending on whether the context is related to life assurance or non-life insurance.

Our response: *We would like to see a more detailed definition of 'amendments to policies' and a specific exemption from the Requirements where amendments do not involve advice (that is they are executing the policyholder's request).*

*For example, for PPI policies any amendments to policies are usually limited to instructions to cancel or change personal details on the policy (such as a change of address for example) rather than any change to the customer's cover. Such 'amendment to policies' do not require 'advice' on the policy concerned. Therefore, we would welcome recognition that administrative functions be separately specified to allow for the distinction between amendments that require customer advice from the functions that do not.*

### **Issues not Raised in the Paper**

We fully support the Financial Regulator's objective of seeking to establish minimum standards across all financial services providers from which consumers seek advice on, or seek to purchase, retail financial products. We currently have a number of employees who we have supported to achieve qualifications within the MCR framework up to QFA standard and a number of others working towards achieving the QFA qualification or parts thereof.

Along with our feedback on your additional proposals we would also like to avail of the opportunity to offer an additional submission in respect of our employees who do not give advice and only handle claims of a limited nature.

We believe that where employees undertake claims handling tasks of a limited nature they should be exempted from the full Minimum Competency Requirements.

We note that the first paragraph under paragraph 2.3 (*Specified activities*) specifically states that being involved in the decision making process in relation to claims or assisting consumers in the administration or performance of claims is deemed a "specified activity" under the Requirements.



On the basis of the limited nature of the activities undertaken by our claims associates, the internal training programme provided by us, along with the level of supervision and controls that are applied, we have assessed the 'Requirements' and would like to propose applying our interpretation under the following sections to allow for this:

- The provision of advice as laid out in "the Requirements" is not part of the duties of our claims associates in our call-centre.
- Our claims associates do not recommend or offer an opinion to a consumer.
- Our claims associates do not sell policies. All of our products are sold to the customer via financial intermediaries (MCR qualification appropriate here).
- Our on-site operational staff do not process quotations. Staff only decide as to whether an already agreed amount with the customer, is paid out or not.
- Claims that are paid are processed within a narrow and rigid set of acceptance criteria and according to a prescribed script and routine. (Policy terms and conditions).
- Extensive training, controls and independent auditing are documented integral functions within all of our processes.

*We have further expanded on our interpretation under chapter 2 in the following pages.*

## **Chapter 2: Scope and Application**

### **2.1 To whom do the Requirements apply?**

Where the first level claims handler has a limited role which involves decisioning claims using a strict and scripted acceptance criteria set out in the firm's policy terms and conditions we think that they should be exempt from the full MCR requirements.

The main role of our claims associates is to decision claims submitted by insured customers who are claiming under a payment protection insurance policy. The acceptance criteria are set out in the policy terms and conditions. The claims handler simply takes the information provided by the policyholder on his or her claim form, assesses the information and then makes a decision to accept or reject the claim based on whether it falls strictly within the terms and conditions of the policy. It is important to note that the claims associates handle claims received in relation to payment protection insurance products only, they do not handle claims in relation to any other insurance products. Each of the payment protection insurance products we underwrite are similar in nature and contain almost identical policy wordings. The claims handler is not permitted or able to give advice nor are they able to exercise discretion (other than to reject or accept). Given the limited nature of the activities of a claims handler, it is unnecessary for claims handler to obtain the full knowledge competencies set out in Appendix 1 and we therefore feel they should be exempted from the full MCR requirements.

It is important to stress that our first level claims associates' experience is that of operating within a narrow and rigid set of criteria according to a prescribed script and routine (as described in the consultation paper at 2.1.3). Similar to the example situation described on page 4 of the MCR document of July 2006: "Where an individual's only activity is the processing of quotation requests within a narrow and rigid set of acceptance criteria and according to a prescribed script and routine..."



We request that the MCR should take account of the following matters:

Where employees are employed simply to decision claims in accordance with the strict criteria set out in the policy terms and conditions and do not sell or give advice on policies, we believe that they should be exempt from the full MCR for the following reasons:

- First level claims handling employees follow a prescribed script and routine and are handling claims and undertaking activities of a limited nature.
- Their duties preclude them from recommending or offering an opinion to a consumer.
- Their duties do not include the provision of advice on the product as laid out in the Requirements.
- Claims handling scripts and process are approved by an appropriately accredited individual.
- Supervisors will oversee the work of the first level claims handler (supervision will be provided by a person who has attained an appropriate qualification listed in the MCR).

In addition we currently have (and would continue to have) well documented and extensive on the job training, claims handling quality controls and supervisory auditing which are integral parts of the our controls and the claims handler's day-to-day work.

We therefore do not believe that claims handlers should be required to meet the Requirements set out in Appendix 1 of the MCR and obtain one of the qualifications listed on pp 45 – 46 of Appendix 2.

It is our experience that claims handlers are not required to apply the knowledge gained through the qualification in their day to day work as they have no discretion other than to accept or reject the claim. We do recognise however that the QFA Regulation module would provide a useful regulatory context for the claims handler's work and that it would be reasonable to include external study for this module within the claims handler's internal training programme. We would provide an opportunity within our documented internal training programme for employees to study for the QFA Regulation module. Our internal training team would facilitate the employees' attendance on the external programme and provide assistance with registering for the examination. Assistance will include study time and funding. The external study materials will be supplemented by support from our own internal trainers and the assessment will be via the external exam.

### **Prescribed Script and Routine 2.1.3**

We would argue that paragraph 2.1.3 (*Prescribed script and routine*), should be applicable to our first level claims handlers undertaking activities of a limited nature.

We note that the provisions of paragraph 2.1.3 (*Prescribed script and routine*) are drafted relatively broadly and do not specifically include or exclude individuals making claims decisions. We would argue that the role of a first level claims handler

making claims decisions in the manner we have described above should fall under the regime set out in 2.1.3.

Assuming this view is correct, we would request that provision is made to ensure that:

1. The claims handler must have received appropriate training. This training may be in the form of internal training or part[s] of the relevant recognised qualifications.
2. The firm must be able to demonstrate to the Financial Regulator that the training given is relevant and appropriate through its training records. However, we think that the regulated firm should be given discretion to take relevant syllabus extracts from Appendix 1 and build these into their internal training module for first level claim handlers.
3. To ensure that customers are treated fairly, in addition to appropriate induction training for claim handlers and working within a framework that is approved by an individual holding an appropriate MCR qualification, we think it sensible to propose that all individuals in a team leader or managerial supervisory capacity should attain appropriate MCR qualifications as outlined in the paper.
4. The individual claim handler's training will be kept up to date on an ongoing basis. All training records will be maintained in a way that can be audited by the Financial Regulator.
5. All supervisory (team leader or manager) and customer complaints team members will have the appropriate MCR qualification. This support team will act as an integral part of the operation and be available for any individual referrals by team members.
6. The first line claims handler will be supervised by an appropriately MCR qualified individual. The supervisor will ensure that:
  - The claim handler's training is kept up to date on an ongoing basis.
  - The claim handler must refer requests for additional information and advice to an appropriately accredited individual.
  - The claim handler is adequately supervised.
  - The claim handler's activity is monitored to ensure that there is no breach of these requirements.
  - The firm maintains records to demonstrate compliance with the above requirements.

It is expected that first line claims handlers will also handle what we refer to as "Level 1" complaints received from insured customers. A Level 1 complaint is a verbal complaint received from a customer and mainly relates to a decision to decline a claim or to refuse a claim or where a claim payment is late or is less in amount than the insured had expected.

In cases where the customer disputes the decision to decline a claim, the claims handler will ask the insured customer to submit any supporting evidence that he believes would support his or her claim. If a claims handler cannot assist the



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customer or requires further input, the complaint will be referred to a supervisor who will be required to have the appropriate MCR qualification.

If the complaint cannot be resolved by the team within 24 hours, it is automatically raised to a "Level 2" complaint and dealt with by a dedicated Customer Complaints team member whose sole responsibility is to assess escalated complaints received from consumers against a claim for benefits submitted under a policy of insurance.

Employees within the Customer Complaints team will be experienced associates having worked for a number of years in the claims department and each member of the team will have the required MCR qualification.

Based on our adherence to the above, we think that the provisions of paragraph 2.1.3 (*Prescribed script and routine*) can therefore be applied to our first level claims handlers undertaking activities of a limited nature provided that our acceptance criteria, scripts and processes are approved by MCR qualified individuals and our first level claims handlers are supervised by MCR qualified individuals.

### **Summary of our Recommendations**

Our Claim Associates should be exempt from the full MCR requirements on the basis that we fulfil the following:

- The claims handler works within a framework that is approved by an individual holding an appropriate MCR qualification
- The claims handler must have received appropriate training. This training may be in the form of internal training or part[s] of the relevant recognised qualifications.
- The firm must be able to demonstrate to the Financial Regulator that the training given is relevant and appropriate through its training records.
- The individual claim handler's training will be kept up to date on an ongoing basis. All training records will be maintained in a way that can be audited by the Financial Regulator.
- All supervisory (team leader or manager) and customer complaints team members will have the appropriate MCR qualification. This support team will act as an integral part of the operation and be available for any individual referrals by team members.

### **Confidentiality**

In order to assist the Financial Regulator, Genworth has provided confidential information within this response that includes business secrets and commercial information, the disclosure of which might significantly harm the legitimate business interests of Genworth. If the Financial Regulator receives a request (including but not limited to, a request under the Freedom of Information Act 1997 ("FOIA") or similar legislation) to disclose any information contained in this confidential response, Genworth asks that the Financial Regulator promptly consults with, and takes into account any comments from, Genworth prior to making any disclosure and works with Genworth to ensure that any exemptions or other legitimate means of preventing

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**Genworth Financial**  
**10 August 2010**