



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

T +353 1 224 6000 F +353 1 671 6561

Bosca OP 559, Sráid an Dáma, Baile Átha Cliath 2, Éire.

PO Box No. 559 Dame Street, Dublin 2, Ireland.

www.centralbank.ie

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Re: Themed Inspection: Complaints Handling by Insurance Firms

Dear «Greeting»,

The Central Bank of Ireland (“Central Bank”) carried out a series of inspections of selected insurance firms (life and non-life,) during 2010 and 2011, focussing on reviewing the procedures and processes in relation to complaints handling. The purpose of this letter is to provide you with feedback in relation to the findings of those inspections. We hope that it will be of assistance to you in developing and ensuring your own firm’s compliance. It is important that you consider the issues set out below and their relevance to your firm.

The Consumer Protection Code (“the Code”) requirements in relation to complaints handling are a key part of the consumer protection framework. An expression of dissatisfaction from a consumer can, in many instances, indicate that the business is not running satisfactorily from the consumers’ point of view. Complaint handling is considered an effective indicator in this regard as it is a signal as to the robustness of all controls, procedures, training needs (staff competency), and service levels across firms. An efficient complaints handling system should be a mechanism by which firms foster a good relationship with their consumers and for firms to use the information gathered to make improvements to existing systems and processes within their business.

The Central Bank carried out 12 onsite inspections to determine compliance with the complaints handling provisions contained in the Code. Almost 600 files were inspected in total. It was found in

the course of the file review that no firm was fully compliant with every provision in every instance. We were disappointed to find that in a number of firms there was a particularly low level of compliance relating to complaints handling. In other firms the inspections showed up less serious breaches of the Code, however, the Central Bank expects full compliance with all of the Code provisions. The findings are particularly disquieting considering the prescriptive nature of the provisions and the relatively small number of provisions relating to complaints handling in the Code.

The Central Bank is currently considering enforcement actions in respect of a number of firms concerning the findings of this themed inspection. The firms concerned will be contacted in due course.

While the inspection revealed breaches in respect of all sections of the complaints handling elements of the Code, the Central Bank is particularly concerned about breaches of the following:

Requirement to provide a point of contact

There were instances, in all firms where the complainant was not provided with the name of an individual appointed by the regulated entity to be the complainant's point of contact in relation to the complaint until the complaint is resolved or could not be processed any further. Where a point of contact was not provided, the Central Bank found that complainants had to reiterate details of their complaints to a number of different individuals. Invariably this slowed up the complaints process which adds to the general consumer dissatisfaction.

Information on the Financial Services Ombudsman

Six of the firms inspected did not, in all instances, inform the complainant of his/her right to refer the matter to the Financial Services Ombudsman ("the FSO") where relevant, or did not provide the consumer with the contact details of the Financial Services Ombudsman in all instances. Access to the FSO is an important element of the complaints process and consumers need to be made aware of their right of access to this service.

Requirement to acknowledge complaints in writing

It was found in the course of the inspection that all firms had instances where they did not acknowledge each complaint in writing within 5 business days of the complaint being received. In some instances this provision was breached where firms did not issue an acknowledgement at all, whereas in other cases the acknowledgement was issued, but not within the required timeframe of 5

business days. It is important the complainants have their complaints acknowledged in a timely manner so that they can be assured the complaint has been received and will be dealt with. This Code provision should be straightforward for firms to comply with.

Recommendations on Best Practice

The Central Bank makes the following recommendations on best practice to the insurance industry. These recommendations are based on observations made in the course of the inspections by the Central Bank. We believe that these recommendations will be of assistance to you in developing and ensuring your own firm's compliance with the Code.

- It is not sufficient for a firm to rectify errors or problems on an individual basis. Firms should perform root cause analysis of complaints to identify possible trends, and to prevent similar related complaints in the future.
- Consideration should be given to utilising management information from complaints and escalating relevant issues to Board level.
- The inspections have shown that firms which have a dedicated complaints handling function appear to handle complaints more efficiently than those that do not operate such a model. Individuals in such functions appear to be more experienced in the claims handling process and are responsible for ensuring that complaints are handled according to the regulatory requirements. Firms should consider employing this structure in their complaints handling process.
- Firms who have in place shorter timelines than those outlined in the Code should ensure that this does not encourage those dealing with complaints to close matters before appropriate and fair resolution of the complaint.
- Where a complaint is received through an intermediary on behalf of a consumer, firms should treat this complaint in the same manner as one received directly from the consumer.
- Where a regulated entity operates a branch network, all branches should have a copy of the firm's current complaints procedure.

We appreciate that not all of the issues referred to in this letter may be applicable to your institution. These findings and recommendations on best practice should be brought to the attention of your Compliance Officers and we expect that they be incorporated into the review of your firm's compliance with the Code.

Should you have any queries in relation to the contents of this letter, please contact Joe Morley at joe.morley@centralbank.ie

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. O'Brien', written in a cursive style.

Adrian O'Brien
Deputy Head of Consumer Protection Codes Division