Why complaint handling is more important than ever for the insurance industry

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With a financial watchdog soon introducing complaints reports, insurance firms must step up.

In customer service, communication is key. It is simplistic to say, and companies might assume that their own customer interaction reflects its importance. However, businesses in certain industries sometimes fail to appreciate the perception that their customers actually have of them and their communicative skills.

General insurance is an industry that has been accused of having a less than positive reputation, although it has been hindered by some issues outside of the firms' control. For

example, many consumers find it difficult to differentiate between firms in the financial services sector, and often band banking and insurance companies together as one. This means financial calamities such as the mismanagement of high-street banks can unfairly impact their attitudes towards insurance companies. Similarly, the increase in pest-calls such as those relating to mis-sold payment protection insurance (PPI) can agitate them even further.

But despite these less controllable factors, general insurance companies are beginning to improve their frontline communications to help appease consumers' attitudes. Many firms are achieving this by implementing tailored complaints handling software systems that improve the quality and efficiency of their customer interaction.

In the past, complainants have too often been left dissatisfied by complex, jargon-filled responses that ultimately bring them no closer to understanding the issues behind their query or how it will be resolved. But with general insurance products, the quality of service and past experience – especially in the area of claim settlement – are the most critical factors in influencing customer behaviour.

Therefore, customer service is an area that must be given considerable attention. In the Financial Conduct Authority (FCA) Handbook, it states that, 'A *firm* must pay due regard to the information needs of its *clients*, and communicate information to them in a way which is clear, fair and not misleading.'

This key theme reoccurred throughout Infoline's Complaints Management in General Insurance Conference earlier this year. The key issue that really brought it to the fore was concerns over the potential impact of the recent updates to FCA Complaints Handling regulations and how they will change how the industry communicates with its customers.

Since that conference the FCA has finalised its regulations, which were published in July in Policy Statement 15/19 and are largely as outlined in its Complaints Handling Consultation Paper CP14/30, released in December 2014. The changes will inevitably increase the burden on insurance companies' frontline staff, and they need to ensure they are prepared to improve their complaint handling standards through improved customer communication – or else their reputation will suffer.

Meeting customer expectations

There have been many tried and tested strategies to appease and ultimately satisfy complainants in the general insurance industry. A revolutionary new strategy is not the answer to enhancing customer service teams' effectiveness; it is about improving their existing communications to give the customer what they actually want – information, resolution and an acknowledgement of fault if required.

Improving means understanding the customer and focusing on the details that could potentially cause unrest.

For example, with the FCA's extension of the complaint resolution period to three-days, it will

become essential for customer service staff to set clear expectations as to when they will get back to the complainant. If the complainant goes away with the impression that they will be contacted within a few hours but the case handler intends to get back to them in two or three days, it could result in double deviation – where poor complaint handling only makes the situation worse.

Equally important is to clearly explain why the company was wrong – if indeed that is the case – and to state what will be done to rectify the mistake. An admission of a fault and precisely detailing how a situation will be resolved go a long way towards restoring customer trust. The vast majority of the time, customers will accept an apology and continue with their current insurance provider, rather than engaging in the process of switching.

Another feature of the regulations is the requirement for firms to report every complaint to the FCA, be it formal or informal. It means that capturing every complaint will become a greater challenge, particularly given the sharp rise in channels through which customers can vent their frustrations. Ultimately, the risk is that a poorly optimised capturing system could lead to complaints getting lost, which will undoubtedly lead to unhappy customers.

Traditional methods of making a complaint such as by phone or letter are still popular, but online platforms such as social media have taken off. Whereas it might be perceived that this method is restricted to industries such as retail, it is becoming increasing prevalent for customers to use it for airing misgivings with their financial service providers. That is not necessarily a bad thing for the firms; quite often, the speed of response social media allows can resolve the problem almost instantaneously if it has been picked up and logged effectively.

To ensure that happens, firms need to develop an omni-channel approach to handle this increase in complaints types, ensuring that everything from every channel is captured and dealt with seamlessly to ensure the best possible service is provided.

Empowering frontline staff

Communication starts with the front line, but employing strong personal skills is not enough by itself. Internal communication needs to be equally strong and systems should be in place to make that possible. Word of mouth and face to face updates between teams can only go so far; in huge, multinational corporations it is quite simply unfeasible.

The frontline staff need support that is immediately available to them, often during their immediate interaction with the complainant. This information should be synchronised across the whole organisation so that as and when problems are rectified, the solutions can be identified by frontline staff and communicated to the complainant in an informed manner.

Introducing more staff or upskilling staff can only go so far to improving customers' perceptions of complaints handling in the general insurance industry. But providing software that effectively captures every complaint, archives it and makes it readily available across the entirety of the frontline in an instant – that is how companies can best prepare for the pending FCA regulatory changes. Technology solutions can bring simplicity back to complaints handling and help to put

the customer where they belong – at the centre of the process.

Insurance companies are able to collect vast amounts of data. By using software systems to unite this data, it can become a genuine corporate asset to help the effectiveness of customer interaction – rather than information simply stored in Excel without any real benefits. They will then be able to customise and personalise their responses – be it through email, phone calls, letters or social media. As a result, frontline staff will be able to create a deeper relationship with the customer and reduce the risk of churn.

With the FCA now planning on releasing comprehensive complaints reports based on the data they will shortly be receiving from firms, failure to improve customer service procedures will come back to bite businesses. Ultimately, insurance companies that look after their customers will be the ones best-positioned to succeed in this increasingly competitive and dynamic market – so take the first steps to an efficient, responsive complaints handling function by considering the following:

1. Evaluate the clarity of your written communications to your customers. Are they clear or complex? Are they filled with jargon? Would you and your customers benefit from simplification?
2. Review your verbal communications with customers. Do you specify a response timeframe? Do your customer facing personnel need a refresher in complaints handling?
3. Test your complaint handling solution. Is it compliant with FCA regulations? Does it help you understand and address the root causes of customer complaints?
4. Determine how detrimental poorly managed complaints could be for you. Do you know how much they could be costing?

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Comments

Speed is vital

Submitted by PaulineAshenden on Fri, 11/09/2015 - 12:53

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I'd agree with your point about providing a single source of information across every channel if you want to meet FCA regulations, but I'd also add that customers expect a speedy response, even if the FCA mandates three days to reply. Our own Eptica research found that top UK insurers only answered 40% of questions on their websites and sent via email and Twitter – showing that much needs to be done if they are to be compliant. More in this blog at http://www.eptica.com/blog/what-s-state-online-customer-experience-uk-insurance-sector

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