

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Insurance Fraud Taskforce: interim report

This is the Financial Services Consumer Panel's response to the Insurance Fraud Taskforce's interim report. The Panel is represented on the Taskforce, as is Citizens' Advice. It is all the more disappointing, then, that this report is so heavily biased to the industry view.

Consumers bear the cost of insurance fraud, and not only in the increased price of premiums. The process of claiming, at what is already a stressful time, is made worse by the attitude of many firms, which behave as if every claim was fraudulent. There is a big difference between someone who sets out deliberately to defraud a firm, for example by staging a car accident in order to claim compensation, and one who mistakenly submits an inaccurate application or claim. We do not believe this report does enough to differentiate between deliberate fraud and genuine mistakes, and hope this can be rectified in the final report.

We agree that a lack of understanding, over-optimistic valuations, and a belief that a claim is a form of negotiation, all drive consumer behaviour. However, it is also important to look at firms' behaviour. Insurance contracts are complicated. If firms rely on small print and incentivised loss adjustors to reduce the amount of a claim, consumers will continue to believe that firms are trying to avoid paying out, or that it is necessary to inflate a claim to reach a 'fair' outcome.

Since the Government's ban on referral fees paid between lawyers, insurers, and claims firms, some firms of solicitors, in order to circumvent the ban, have been bought by insurance companies. As a result it is often the insurance firms themselves who are effectively encouraging consumers to make claims. Claims management firms, and unsolicited text messages, persuade consumers they are eligible to make a claim.

While an increase in the small claims court limit, ruled out by the previous Government, might stop many fraudulent claims in their tracks, the Panel would not support a move which would make it harder for legitimate claims to be taken to court.

The Panel believes that consumer access to information such as claims ratios, and insurance company data sharing will improve transparency in the area of insurance claims. But the important thing is for consumers to understand the nature of the contract up front. Contracts and terms and conditions should be written in plain language, and not contain small print confusing to consumers. Many consumers do not even understand what the term 'excess' means. Firms should test the language they use on consumers and not hide behind legalistic jargon. In addition, firms should be able to demonstrate that their loss-adjustors and claims handlers are not perversely incentivised, and are following the FCA guidance on remuneration.

Yours sincerely



Sue Lewis
Chair
Financial Services Consumer Panel