



**Consumer Duty
Implementation
Broker Update
July 2023**



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Consumer Duty Expectations – July 2023

Purpose

As a regulated entity of the FCA and product manufacturer and co-manufacturer, we are required to review existing products and services against the FCA’s Consumer Duty outcomes and share this with distributors.

Further to our communication in June, this document is intended for distributors of Angel Risk Management Ltd (“ARM”) products that may impact customer outcomes. The purpose of the document is to provide an update of our progress with implementing the Consumer Duty requirements, due to come in force on 31 July 2023 and 31 July 2024 for open and closed products respectively.

This document includes:

- Background and context, outlining the key FCA Consumer Duty requirements
- What this means for you as a distributor of ARM products
- How to get in touch for more information and provide feedback

Please note that this document is provided in line with the Consumer Duty requirements for ARM as a product manufacturer and co-manufacturer and is not suitable for customer distribution

Background and Context

The FCA’s Consumer Duty sets higher and clearer expectations of consumer protection across financial services, including the parties involved in manufacturing and distributing insurance products and services. The rules apply to all parties in the distribution chain and cover all customers except contracts of large risks sold to commercial customers and reinsurance. The key requirements include:

- A Consumer Principle that requires firms to act to deliver good outcomes for customers which reflects the overall standard of behaviour the FCA requires from firms.
- Cross-Cutting Rules providing greater clarity on the FCA expectations under the Consumer Principle and helping firms interpret the four outcomes (below).
- The four outcomes which are a suite of rules and guidance, setting more detailed expectations for firms in the following areas:
 - 1) Products and Services
 - 2) Price and Value
 - 3) Consumer Understanding
 - 4) Consumer Support

Working closely with our distributor network, we completed our first round of fair value assessments (“FVAs”) in September 2022 ([Product Fair Value Assessment & Target Market Statement](#)). As per FCA guidance, this satisfies requirements under outcomes 1 and 2 of the Consumer Duty.



ARM Broker Partnership – Our Expectations

Consumer duty is aligned with our culture and our strategy to focus on embedding a client first mindset. We expect Brokers working with us to also have a clients first mindset and to support and enable ARM to comply with Consumer Duty in every aspect of the customer journey and product lifecycle.

Like us, we know that you also have your own activities underway to review existing processes across the customer and product lifecycle and as such we are committed to collaborating with you to deliver good outcomes for the end customers.

During the implementation process we have reviewed and updated our [Target Market Statements](#) to help enable our intermediaries (including you) to distribute our products to the right customer group and ensuring they are fit for purpose and designed to meet the needs of the intended target market.

As product (co-)manufacturers we want to emphasise that we expect our Brokers to have the appropriate mechanisms in place, act in good faith, have process to avoid foreseeable harm and enable and support the end customer to pursue their financial objective. Similarly, you should let us know if you identify any issues that impact the target market or if the distribution arrangement for our products may have caused customer harm.

So you can see what we have been doing to take the rights steps for our customers, we are sending you our **What Good Looks Like (Appendix 1)** principles across key customer journey touchpoints and a **Customer Communication Testing Checklist (Appendix 2)** which we will use as a benchmark for testing and overseeing how our intermediaries are delivering good outcomes in line with Consumer Duty.

As part of our product monitoring process, you may be asked to share information with us to help complete our product reviews and if we identify products not meeting the needs of the customers fully, we will collaborate with you to ensure any issues are resolved timely.

Vulnerable Customers and Alternative documentation

The FCA considers a vulnerable customer to be someone who: “due to their personal circumstances, is especially susceptible to harm - particularly when a firm is not acting with appropriate levels of care.”

We need to be able to identify our vulnerable customers to avoid the risk of some of our vulnerable customers not receiving good outcomes.

The nature and scale of characteristics of vulnerability

Vulnerability shall be viewed as a spectrum of risk. All customers are at risk of becoming vulnerable at any time and this risk is increased by characteristics of vulnerability. Those characteristics are related to 4 key drivers that need to be considered to decide whether a customer could fall within the classification of a vulnerable customer. The 4 key drivers are as follows:

1. **Health** – health conditions or illnesses that affect ability to carry out day-to-day tasks.
2. **Life Events** – life events such as bereavement, job loss or relationship breakdown.
3. **Resilience** – low ability to withstand financial or emotional shocks.
4. **Capability** – low knowledge of financial matters or low confidence in managing money (financial capability). Low capability in other relevant areas such literacy or digital skills.



If dealing with a customer who is not particularly sophisticated, or who may have a very limited understanding of insurance matters generally, or an entity business experiencing financial strain, in these circumstances, we will be expected to do more in terms of recognising the customer's vulnerability. We expect that you will be taking similar steps in helping to support your vulnerable customers.

What do you need to do?

As soon you think you may be engaging with a vulnerable customer, whether this is through our identification or they have approached you with the information, you should:

- Make a record of this.
- Provide regular opportunities for them to ask questions about the information you have provided
- Regularly seek confirmation that they have understood the information that has been provided
- Answer queries personally, rather than relying on automated responses.
- Tailor information presented to individual requirements
- Use plain English. Avoid unnecessary complex information and technical jargon.
- Record communication and service needs accurately
- Review any relevant circumstances during the course of the customer journey (sales, policy management, renewal, claims or complaints) process in a sensitive manner; and
- Keep up to date with any newly released public awareness information surrounding disabilities, mental health, financial hardship, etc.

We expect our partners to have appropriate processes in place to meet additional needs of our customers in respect of information presented to customers which are compliant with the requirements of the Duty as well as the Equality Act 2010 – this may include providing documentation and communicating using a different format such as large print, audio, or Braille to ensure customers with additional needs receive the appropriate level of care.

This applies to documentation and communication which are produced and owned by our distributors. Where these originate from ARM and reach the end customer unaltered, ARM will have a process in place to provide the required format on an ad-hoc basis.

Consumer Duty Metrics and Management Information

ARM have developed a list of metrics (**Appendix 3**) to ensure effective on-going monitoring of the outcomes of the Duty. This list incorporates the guidelines from the FCA and London Market Association. Note that ARM may require data and insight from the respective Brokers and in such instance, we will be engaging with yourselves to undertake the necessary reviews as and when required.

We also encourage customer feedback, as this is a valuable source for qualitative insight in relation to the customer experience. This feedback can help enable continuous improvement initiatives. From time to time, we may seek Customer feedback through surveys and questionnaires.



Contact Us

We are committed to an open and constructive dialogue with our broker partners. For more information on any of the topics in this document, please contact Consumerduty@axaxl.com. In addition, please share any feedback you have on progress and expectations listed within this document.

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Appendix 1: What Good Looks Like/Good Customer Outcomes Guidelines

1) Customer Journey – Sales & Renewal

Outcome	Good outcome definition/criteria
Price & Value	<p>Products and services are sold at a price that reflects <i>fair</i> value to the end-customer, without any excessive fees or charges.</p> <p>A firm regularly carries out fair value assessments, at least once a year or required due to factors which may impact product value, to ensure that the product provides fair value.</p> <p>Target market is continually considered as part of product price and value assessments.</p> <p>The right products are being offered to the right customers, based on their demands, and needs, including to vulnerable customers.</p> <p>A firm considers if changes to the products or services benefits have any significant impact on fair value to customers in the target market and either withdraw or amend products or services if they are poor value. The firm has processes in place to ensure that distribution arrangements provide value to the end customer.</p>
Products & Services	<p>Products (and Services) design appropriately considers the intended target market.</p> <p>Products (and Services) are suitable for customers, meeting their demands and needs and with due consideration of customer vulnerability.</p> <p>The firm has processes in place to regularly review performance of parties involved in the distribution chain from a conduct perspective and assess whether product is being sold to intended target market.</p>
Consumer Understanding	<p>The customer is equipped with all the information they need to make an informed purchasing or renewal decision.</p> <p>The information customers are being provided is tailor-made (where appropriate) to the target market and takes into consideration any characteristics of potential vulnerability.</p> <p>The customer clearly understands any product/policy limitations, exclusions, and eligibility criteria.</p> <p>The firm conducts regular review of relevant documentation to identify enhancements to ensure customer understanding.</p> <p>Where third parties are involved, the principal firm regularly satisfies itself that third parties adhere to required standards.</p> <p>Communications sent to customers are regularly tested and adequately adjusted.</p> <p>The firm employs staff that are adequately trained to identify any characteristics of vulnerability at the point of contact with the customer.</p>
Consumer Support	<p>The firm ensures that the sale process is appropriate and flexible to meet the requirements of customers. There is appropriate friction in the sales process/journey to support their customers in making a suitably informed decision.</p> <p>Suitable and effective mediums of customer contact is available to respond to queries or policy instructions.</p>



2) Customer Journey - Management of Policy

Outcome	Good outcome definition/criteria
Price & Value	The firm does not apply excessive fees when the customer is looking to cancel or make changes to their policy.
Products & Services	The firm ensures that mid-term adjustments or cancellation occur due to the customer's change in circumstances. Any changes made to product coverage is suitable to meet the customers demand, needs and circumstances.
Consumer Understanding	All changes, and the impact of any policy changes, are clearly communicated to the customer. The customer clearly understands any product/policy limitations, exclusions, and eligibility criteria. Information around cancellation, auto-renewal and mid-term adjustment processes is given to the customer in a timely manner and in a way that they can easily understand, taking into consideration any characteristics of vulnerability.
Consumer Support	The firm ensures customers do not face unreasonable barriers (including additional charges or fees) when making additional enquiries, looking to amend cover, or cancel their policy. The firm makes it easy to the customer to cancel their auto-renewal. Suitable and effective mediums of customer contact is available to respond to queries or policy instructions.



3) Customer Journey – Claims

Outcome	Good outcome definition/criteria
Price & Value	<p>Customers receive fair settlement following a valid claim, this should consider any characteristics of customer vulnerability and unique circumstances.</p> <p>Where appropriate, ex-gratia or goodwill payments are issued to customers.</p>
Products & Services	<p>The firm ensures that claims are being handled in a timely and fair manner.</p> <p>Customers are making valid claims, in line with policy coverage and benefits.</p> <p>The firm provides assistance via third party experts to ensure that the handling of the claim is made in an efficient manner.</p> <p>Evidence requested from customers to process a claim is reasonable and does not impede the process.</p>
Consumer Understanding	<p>The process of making a claim is clearly communicated to customers.</p> <p>Adequately trained staff is undertaking the task of registering a claim via a phone conversation or responding to claims related queries.</p> <p>Any communications sent to the customer throughout the process are concise and easy to understand with clear signposting to contact details for follow-up queries.</p> <p>The firm has been transparent with the customer on any restrictions that might have come to the insurer's attention as early as possible when the claim is made.</p> <p>The firm sets out a time scale for the customer and keeps the customer informed of progress throughout key milestones.</p>
Consumer Support	<p>The firm ensures that well-resourced teams are in place, allowing for effective management of claims.</p> <p>The firm analyses customer feedback on a regular basis, to understand where additional support can be provided.</p> <p>Customers are able to easily locate claim-related information as required, within their documentation and on the firm's website.</p> <p>The firm is making it easy for the customer to make a claim, ensuring to ask key questions and for relevant documentation at the first stages of the claim.</p> <p>The firm keeps the customer updated, as the claim goes through key milestones.</p> <p>The firm has processes in place that ensure making a claim is as easy as buying out a policy in the first place.</p> <p>Customer feedback and complaints are monitored and addressed through root-cause analysis to drive continual improvement.</p> <p>The firm has processes in place to swiftly identify any issues with claims handling and mitigate those in a fast manner.</p> <p>Third parties involved in the handling of claims are collaborative, cohesive and focussed on driving good customer outcomes.</p>



4) Customer Journey – Complaints

Outcome	Good outcome definition/criteria
Price & Value	<p>Expressions of dissatisfaction and complaints in connection to a price and value is being identified and addressed appropriately.</p> <p>Complaints analysis identifies instances where value is not being provided to the customer and learnings are shared in a timely manner with stakeholders to remediate accordingly.</p>
Products & Services	<p>The firm has processes in place to ensure that the customer is able to use their product as anticipated.</p> <p>Expressions of dissatisfaction and complaints in connection to a product / service is being identified by all parties involved in the customer journey, and addressed appropriately.</p>
Consumer Understanding	<p>The firm has ensured that information on how to make a complaint is prominently placed in documentation and/or the website.</p> <p>The firm has provided specialised training and scripts to complaint handlers, including on the identification of vulnerability characteristics.</p> <p>Complaints handlers ask the right questions to ensure that they have understood all parameters of the complaint.</p> <p>Resolution letters, and any other communications in the interim, are clear, concise, and easy to understand with prominently placed contact details to the insurer, for follow-up queries. Right for referral of the case to the FOS and Lloyd's are also clearly set out within those communications.</p>
Consumer Support	<p>The firm's complaint handling processes follows regulatory requirements and effectively addresses/remediates instances where errors have been identified and may have caused poor customer outcomes.</p> <p>Root cause analysis effectively captures instances where 1) Support needs of customer are not met, particularly where impacting a specific group i.e. vulnerable, 2) Unreasonable barriers are in place to assessing support or making a complaint</p> <p>Complaint handlers are able to communicate in line with preference of customer and where unable to communicate available support effectively and ensure this enables customers to pursue complaint. Ensure customers do not face unreasonable barriers (including additional costs) when making a complaint</p>



Appendix 2: Customer Communication Testing Checklist

Category	#	Individual checks	Comments
Design, structure and formatting	1	Key information / conditions not included in the small print	
	2	Monetary / numerical values presented simply and grouped together logically	
	3	Layering used effectively (highlighting key information upfront with links to further detail below where applicable)	
	4	Key information (benefits / limitations / exclusions) is consistent if stated in multiple locations	
	5	Avoid red/green to be friendly to colour vision deficiencies	
	6	Avoid excessively long bullet point lists (too many points in a list reduces simplicity) and density of bullet points is not excessive	
	7	Consistent use of bolded texts and colour coding	
	8	Where a pack of documents is sent to customers, use of a covering letter/email which reference and signpost each document	
	9	No instances of unclear, irrelevant, or unspecific questions that are asked to the customer	
Information and Content	10	Avoid overly complex language when appropriate and limit frequency of acronyms and abbreviations	
	11	Avoid use of technical language. Where unavoidable, essential advanced terminology should be included in a glossary / the footer. Examples include 'ancillary', 'liability', or 'statutory'.	
	12	Ensure document does not include excessively long paragraphs (by words)	
	13	Ensure all form fields have visible and meaningful labels - and that they are marked up properly	
	14	Avoid use of double negatives such as "no fewer than" and "may not...until"	
Customer Lens	15	Documents / information issued through all mediums tailored appropriately (online, written, email etc.)	
	16	Use of weblinks to give user more detail (mobile / e-mail comms only)	
	17	Ensure communication / document sufficiently addresses consumer's queries / information needs	
	18	Inclusion of offer to clarify, discuss questions via phone or chat	
	19	Information is provided at the right time to ensure sufficient time to digest and understand all the relevant facts prior to making an informed decision / action	
	20	Ensure documents include all fees, administrative charges, and taxes payable by the customer through the insurance firm, and ensure clear disclosure of potential fees / charges	
	21	Avoid product summaries with more than two pages	
Customer journey specific considerations	22	Ensure clear instructions on how to make a claim, and when referencing claims process, avoid instances of subjective words such as "reasonable" for claims costs for a consumer policy	
	23	Claim acknowledgement letter should clearly convey the appointment and role of the Delegated Claims Administrator (DCA) on the behalf of the named AXA XL legal entity, outline the claim journey/next steps and any relevant timelines, plus the contact details and claim reference for the DCA	
	24	Ensure inclusion of right to cancel section (incl. duration, conditions for exercising it, amount consumer may be required to pay if they exercise it, the consequence of not exercising it, and the practical instructions for exercising it)	



25	Ensure documents contain emphasis to read any attached or enclosed documentation before the end of the cooling-off period to check that the policy is suitable for the consumer	
26	Ensure information about changes to terms and conditions, benefits, exclusions or tariffs are clearly highlighted	
27	<p>Where a Policy Summary is issued, ensure the following is included:</p> <ul style="list-style-type: none"> - Key facts logo in a prominent position at the top of the policy summary - Statement that the policy summary does not contain the full terms of the policy, which can be found in the policy document - Name of the insurance undertaking - Type of insurance and cover - Significant features and benefits - Significant or unusual exclusions or limitations, and cross-references to the relevant policy document provisions - Duration of the policy - A statement, where relevant, that the consumer may need to review and update the cover periodically to ensure it remains adequate. - Existence and duration of the right of cancellation - Contact details for notifying a claim - How to complain to the firm and that complaints may subsequently be referred to the Financial Ombudsman Service - That, should the firm be unable to meet its liabilities, the consumer may be entitled to compensation from the compensation scheme (or other applicable compensation scheme), or that there is no compensation scheme. 	
28	Ensure "what is covered" and "what is not covered" sections are grouped together, preferably in tabular form	
29	Ensure a suitable Data Protection 'Notice' (aka 'Fair Processing Notice') is included where applicable	<i>This won't always be applicable, but the intention is to retain this point for instances where it is</i>
30	Ensure information on any demands and needs that are not met are clearly stated	
31	In respect to policies over one year that are reviewable, policy documents should include the period for which the quoted premium is valid, and the timings of the reviews	
32	In respect to group policy, ensure clear instruction to pass/share the relevant policy information to policyholder(s) as appropriate	
33	Complaints referrals to the Financial Ombudsman Service are clearly stated, and the presence of FOS complaints channels (including by phone, email, post and website) included	

Appendix 3: Consumer Duty Management Information (MI)



Products and Services	
Metrics	Definition
Bind rate (%) (Non-Delegated only)	Percentage of quotes that are converted to legal binding policies
Retention rate (%)	The proportion of customers that AXA XL was able to retain over a given period
Underwriting/Sales related complaints	The number of complaints received from eligible complainants that relate to sales or underwriting matters
Peer benchmarking (FCA fair value)	Analysing key performance indicators against other organisations dealing with Consumer Duty in the industry
(Root Cause) Underwriting /Premium issues and (FCA) Disputes over sums / charges	Root cause of underwriting/premium related issues
Cancellation frequency (%)	The percentage of Consumers that cancel their policy, calculated as the total number of policies cancelled against the number of policies in force
Number of cancellations on products/services	Total number of cancellations registered of products/service
Internally handled claims	Total number of claims that were dealt with internally
Externally handled claims	Total number of claims that were dealt with externally
Average Claims pay-out (external)	Total claims pay-out cost divided by the number of claims (where all or part of the claim has been accepted and a pay-out has been made and/or benefits provided, and the claim is closed at the end of the reporting period)
Average Claims pay-out (internal)	Total claims pay-out cost divided by the number of claims (where all or part of the claim has been accepted and a pay-out has been made and/or benefits provided, and the claim is closed at the end of the reporting period)
Claims complaints as a % of total claims (%)	The number of claims complaints divided by claims registered (multiplied by 100)
Claims declinature rate (%)	Total number of claims rejected against the total number of claims received
Claims reportable complaints	The number of complaints received from eligible complainants that relate to claims matters
Total number of complaints	Total number of complaints registered
Product/services related complaints (%)	Percentage of complaints related to Products/services
Root cause analysis of complaints	Investigating complaints fully to understand the cause of Consumer complaints, not just dealing with symptoms
FOS complaint uphold rate (%)	The percentage of complaints referred to FOS that are upheld by FOS
Lloyd's complaint uphold rate (%)	The percentage of complaints referred to Lloyd's that are upheld by Lloyd's
Regulatory breaches (Complaints)	The number and details of regulatory complaint timeline breaches by the product/service
Claim rates (%)	The number of claims registered divided by the total number of policies in force
Price and Value	
Metrics	Definitions
Fees & Charges (%)	The average fees and charges charged to the Consumers. Total fees plus charges received/ total policies in force
Total Gross written premium (%)	The total amount of gross written premium, based on the premiums charged to the end consumer (excluding insurance premium tax) in relation to policies sold during the reporting period.
Average premium (£)	The average premium paid by Consumers. Total premium received/ total policies in force



Average commission (%)	The average commission received by distributor/employees
Distribution costs (£)	Costs incurred to 'acquire' the premium
Gross Loss ratio	Claims paid plus adjustment expenses divided by total earned premiums
Distributor remuneration (%)	Total remuneration received by distributors
Average claims settlement	The average claims amount paid - Indemnity + Fees
Root Cause Claim related complaints – coverage terms and conditions	Root cause analysis of claims related complaints
Pricing related complaints	Total number of complaints regarding the pricing of products/services

Consumer Understanding

Metrics	Definitions
Declined claim analysis	Analysis of all the declined claims
Customer feedback sought	Customer feedback through surveys and questionnaires (Customer journey)
Root cause analysis of complaints (linked to understanding)	Investigating complaints fully to understand the cause of Consumer complaints, not just dealing with symptoms
Non-insurance specialist documentation panel	Panel review customer targeted documents

Consumer Support

Metrics	Definitions
Root Cause Claim – Customer service	The claims process is simple with no barriers to making a claim
Average complaints settlement time	Average time taken to resolve a customer's complaint
First contact resolution rate (%) – Claims/Complaints	The percentage of customer's questions and requests solved at the first contact
Customer Satisfaction rates – for formal complaints Authority only (AXA XL handled)	The number of products/services meeting or surpassing Consumer's expectations
Root Cause Claim – Customer Service and Customer Service – non claims related	Communications are responded to within an acceptable time frame
Complaints Handling Performance	Metrics regarding the complaints handling
Vulnerable customers	Vulnerable customers are identified and reported (Customer journey)
DEX messaging sampling re-referral rights/Compliance Monitoring	Complaints was dealt with in line with regulatory requirements – (Lloyd's review via DEX and AXA XL compliance monitoring team)