



FINANCIAL REGULATOR  
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2 June 2010

**Re: Themed Inspection: Home Insurance Claims Processing**

Dear «Greeting»,

As you may be aware, the Financial Regulator carried out a series of inspections of selected insurance firms during 2009, focussing on reviewing the procedures and processes in relation to claims processing on home insurance policies. The purpose of this letter is to provide the insurance industry with feedback in relation to the Authorised Officers' findings on those visits. We hope that it will be of assistance to you in developing and ensuring your own firm's compliance. Accordingly, we expect that you will consider the issues set out below and their relevance to your firm.

1. In the main, firms are processing claims in line with the requirements under the Consumer Protection Code ("the Code"). However there were cases where there were breaches of the Code, in particular of Section 23, Chapter 5 of the Code. The Financial Regulator requires that claims settlement cheques are issued within the 10 business days, as specified in the Code. The Code breaches referred to above will be considered for regulatory action by the Financial Regulator.
2. In accordance with General Principle No. 10 of the Code, individual firms must ensure that any outsourced activity complies with the Code. Therefore, all Delegated Authority

Agreements/Service Level Agreements should contain the requirements of the Code in respect of claims processing. All firms must ensure, during audits of the entities to which activities are outsourced, that the Code requirements are being audited. Firms should include as part of their audit of the Loss Adjusters a requirement to test timescales as laid down in the Claims Processing section of the Consumer Protection Code.

3. Chapter 5, Section 18 of the Code requires that;

“The regulated entity must inform the claimant that they may appoint a loss assessor to act in their interests and that any such appointment shall be at the claimant’s expense”.

The Authorised Officers were not able to verify, from a review of claims files, that this had been complied with by some firms, because firms do not write to their customers in the case of all claims. However, we were informed by firms during meetings that this requirement is satisfied as claims handlers will verbally inform the claimant of this right. The Financial Regulator expects that firms have written procedures in place that include this provision and firms should be able to verify that this particular information is provided to claimants.

4. In accordance with Chapter 5, Section 20 of the Code, firms should ensure that, where a claim has progressed beyond the claim notification stage and a firm has carried out some investigation to establish the validity or otherwise of a claim, that claimants are notified, in writing, in the event that a claim is considered an ‘invalid’ claim.

5. In the course of the inspection the Authorised Officers noted that some firms were moving to a process where claims can only be settled using the firms’ approved repairers. The Financial Regulator expects the following in relation to this:

- (a) Firms should satisfy themselves that their use of approved repairers is consistent with the Consumer Protection Code.

- (b) Section 12, Chapter 2 of the Consumer Protection Code states that;

“A regulated entity must ensure that all information it provides to a consumer is clear and comprehensible and that all key items are brought to the attention of the consumer”.

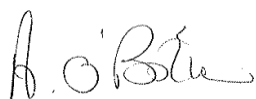
Where firms intend using approved repairers they must ensure that policyholders are aware of this before entering into an insurance contract.

- (c) When the relevant re-instatement work is completed, a claimant should not have to sign a document attesting to the quality of the work completed. The Financial Regulator has concerns in this regard, as the claimant is in most cases not an expert. In addition, where a customer is required to sign a document stating that work has been completed by a builder appointed by the insurer, the customer must not be compelled to give a view on whether it was completed in accordance with the scope of the work as they may not be qualified to give this information.
  - (d) Firms should make it clear to the claimants that where the firm appoints a repairer, the firm is ultimately responsible for the work undertaken.
6. The Financial Regulator expects that firms write to claimants when a payment is made to builders or other similar third parties, to inform customers of the amount paid in respect of their claim, as this could impact on their future premiums.

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

Should you have any queries in relation to the contents of this letter, please contact Joe Morley at [joe.morley@financialregulator.ie](mailto:joe.morley@financialregulator.ie).

Yours sincerely



**Adrian O'Brien**  
**Deputy Head of Consumer Protection Codes**