

FROM: Manager, Complaints
LOCATION: 86/G3
EXTENSION: 6181
DATE: 15 June 2004
REFERENCE: Y3333
SUBJECT: COMPLAINTS PROCEDURES IN POLICY WORDINGS

SUBJECT AREA(S): Compliance with FSA Rules

ATTACHMENTS: Appendix 1 – Recommended wordings
Appendix 2 – Form for completion by Compliance Officer

ACTION POINTS:

- 1. Compliance Officer to ensure that all personal lines policies underwritten and led by the managing agent's syndicates include appropriate details of the complaints procedure available to policyholders.**
- 2. Compliance Officer to confirm compliance or the steps being taken to comply.**

DEADLINE: 28 July 2004 for Action Point 2

1. Purpose of Bulletin

The purpose of this Bulletin is to provide guidance and advice on compliance with the FSA's requirements to publicise complaints procedures to policyholders and to obtain confirmation that all personal lines policies comply.

We are seeking written confirmation from the Compliance Officer of each managing agency that all policy wordings for personal lines insurance business currently underwritten and led by the agency's syndicates set out the complaints process available to policyholders in line with the recommended wordings shown in Appendix 1.

2. Background

The FSA Handbook of Rules and Guidance ([FSA Rules](#)) requires the Society of Lloyd's to establish and maintain appropriate and effective procedures for handling complaints from policyholders ([DISP 1.7.1 of the FSA Rules](#)). Whilst each managing agent is individually subject to the FSA Rules, they comply with the rules by ensuring that all policyholder complaints are dealt with under the internal procedures established by Lloyd's. Managing agents must have complaints handling procedures in place which are compatible with those maintained by Lloyd's centrally.

[DISP 1.4](#) of the FSA Rules sets out the strict time limits for dealing with complaints. Not all disagreements between policyholders and insurers are complaints; misunderstandings can give rise to disagreements which are often resolved at an early stage. The FSA recognises that the definition of what constitutes a complaint can be difficult in insurance cases where it is not unusual for insurers to correspond with a policyholder about the resolution of a claim. If, however, a policyholder remains dissatisfied with the outcome of any discussions then this constitutes a complaint and the FSA's time limits will apply from that point.

In view of this, policy wordings need to make a clear distinction between the initial stage where there may be discussion or negotiation with a policyholder over a proposed settlement or course of action and the stage at which a policyholder remains dissatisfied and wishes to escalate matters by lodging a complaint. Policy wordings must refer to the complaints handling procedures to ensure compliance with [DISP 1.2.9](#) of the FSA Rules; it is also recommended that wordings include reference to the Financial Ombudsman Service (FOS). Insurers are not required to include full contact details for the FOS in their policies.

3. Eligible complainants

The FOS can only deal with complaints from eligible complainants ([DISP 2.4](#)). Eligible complainants under the FSA Rules include private individuals and businesses with an annual turnover of less than £1million.

All personal lines policies must include reference to the complaints handling procedure. Where commercial policyholders are involved, it may be difficult and impractical to identify at the point of sale who may be an eligible complainant. Appendix 1 includes suggested wordings for commercial policies that might be sold to eligible complainants. These wordings reflect the fact that it will not always be possible for the policyholder to ask Lloyd's or the FOS to review their complaint.

The territorial scope of the FOS' jurisdiction covers firms operating from a permanent place of business in the United Kingdom. This has implications for the way that policyholders are notified about the options they have for making a complaint as in some countries there may be a statutory requirement for complaints to be referred to the local dispute settlement body. Overseas policyholders may refer complaints to the FOS who can reject any complaints that have already been considered by an equivalent overseas body. Whilst overseas policyholders should be made aware of their right to refer a complaint to the FOS no specific guidance has been issued by the FSA with regard to policy wordings. We would suggest a simple statement identifying the FOS as a possible option to the local dispute resolution body where matters cannot be resolved.

4. Publicising the complaints procedures

The FSA Rules ([DISP 1.2.9](#)) require firms to inform eligible complainants in writing of the availability of the complaints handling procedures at, or immediately after, the point of sale. In order to comply with this requirement, all relevant Lloyd's policies should set out the complaints process available to policyholders. Appendix 1 gives guidance and examples of suitable policy wordings.

5. Monitoring compliance

We will carry out periodic spot checks and review annually to ensure that relevant Lloyd's policy wordings continue to comply with the FSA Rules.

6. Further information

We issued a market letter on 16 October 2001 on the subject of "Complaints Handling Arrangements" explaining how the FSA Rules affect complaints handling at Lloyd's. A copy is included in our Complaints 2003 Review and is available on request.

If policy wordings do not presently comply or if you have any questions, then Lloyd's Complaints Department would be happy to provide you and your colleagues with guidance to ensure compliance. Please contact Teresa Mazur by e-mail (teresa.b.mazur@lloyds.com) if you would like to discuss the matter.

We would ask that you reply to us by no later than 28 July 2004 by completing and returning the attached form (Appendix 2).

This Bulletin has been sent to Compliance Officers of managing agents for action and to active underwriters and our syndicate complaints contacts for information purposes.

C J White
Manager, Complaints

APPENDIX 1

COMPLAINTS PROCEDURES IN POLICY WORDINGS

The definition of what constitutes a claim is not always clear cut. The complaints procedure should make a clear distinction between the stage when there is negotiation with the policyholder over a disagreement and the stage when this escalates to a complaint. Whilst the procedure should allow for early resolution by syndicates or their agent, there can only be one preceding stage in the process before the policyholder can escalate the matter and complain to Lloyd's.

We would recommend using the suggested policy wordings and standard paragraphs shown below. The emphasis should always be on giving an opportunity to resolve a situation before it escalates to a complaint.

Suggested wordings for preceding stage:-

We are dedicated to providing you with a high quality service and we want to ensure that we maintain this at all times. If you feel that we have not offered you a first class service please write and tell us and we will do our best to resolve the problem.

If you have any questions or concerns about your policy or the handling of a claim you should, in the first instance, contact.....

If you have a problem concerning any aspect of your insurance please contact.....

Standard paragraphs for personal lines policies:-

In the event that you remain dissatisfied and wish to make a complaint you can do so at any time by referring the matter to the Complaints Department at Lloyd's.

or

If you are unable to resolve the situation and wish to make a complaint you can do so at any time by referring the matter to the Complaints Department at Lloyd's.

Their address is:

*Complaints Department
Lloyd's
One Lime Street
London
EC3M 7HA*

Tel No: 020 7327 5693
Fax No: 020 7327 5225
E-mail: Complaints@Lloyds.com

Complaints that cannot be resolved by the Complaints Department may be referred to the Financial Ombudsman Service. Further details will be provided at the appropriate stage of the complaints process.

Standard paragraphs for commercial policies:-

In the event that you remain dissatisfied and wish to make a complaint it may be possible in certain circumstances for you to refer the matter to the Complaints Department at Lloyd's.

or

If you are unable to resolve the situation and wish to make a complaint you can refer it to the Complaints Department at Lloyd's, who may, in certain circumstances, be able to review the matter.

Their address is:

*Complaints Department
Lloyd's
One Lime Street
London
EC3M 7HA*

*Tel No: 020 7327 5693
Fax No: 020 7327 5225
E-mail: Complaints@Lloyds.com*

In the event that the Complaints Department is unable to resolve your complaint, it may be possible for you to refer it to the Financial Ombudsman Service. Further details will be provided at the appropriate stage of the complaints process.

COMPLAINTS PROCEDURES IN POLICY WORDINGS

Form for completion by Compliance Officer

PLEASE COMPLETE AND RETURN TO:

*Teresa Mazur, Lloyd's Complaints Department
One Lime Street, London EC3M 7HA*

Tel: 020 7327 6059/5693

Fax: 020 7327 5225

Email: Complaints@lloyds.com

I, -----, acting as Compliance Officer for -----
confirm the following: ["Managing Agent"]

1. All policy wordings for personal lines insurance business currently underwritten and lead by syndicates managed by the Managing Agent contain details of the complaints procedure available to policyholders.

YES / NO / PERSONAL LINES BUSINESS NOT UNDERWRITTEN
(please delete as appropriate)

If "NO" please explain the steps that are being taken to comply.

2. I attach a copy of the standard complaints procedure wording used in our personal lines policies.

YES / NO / WORDING TO FOLLOW
(please delete as appropriate)

Signed: -----

Date: -----