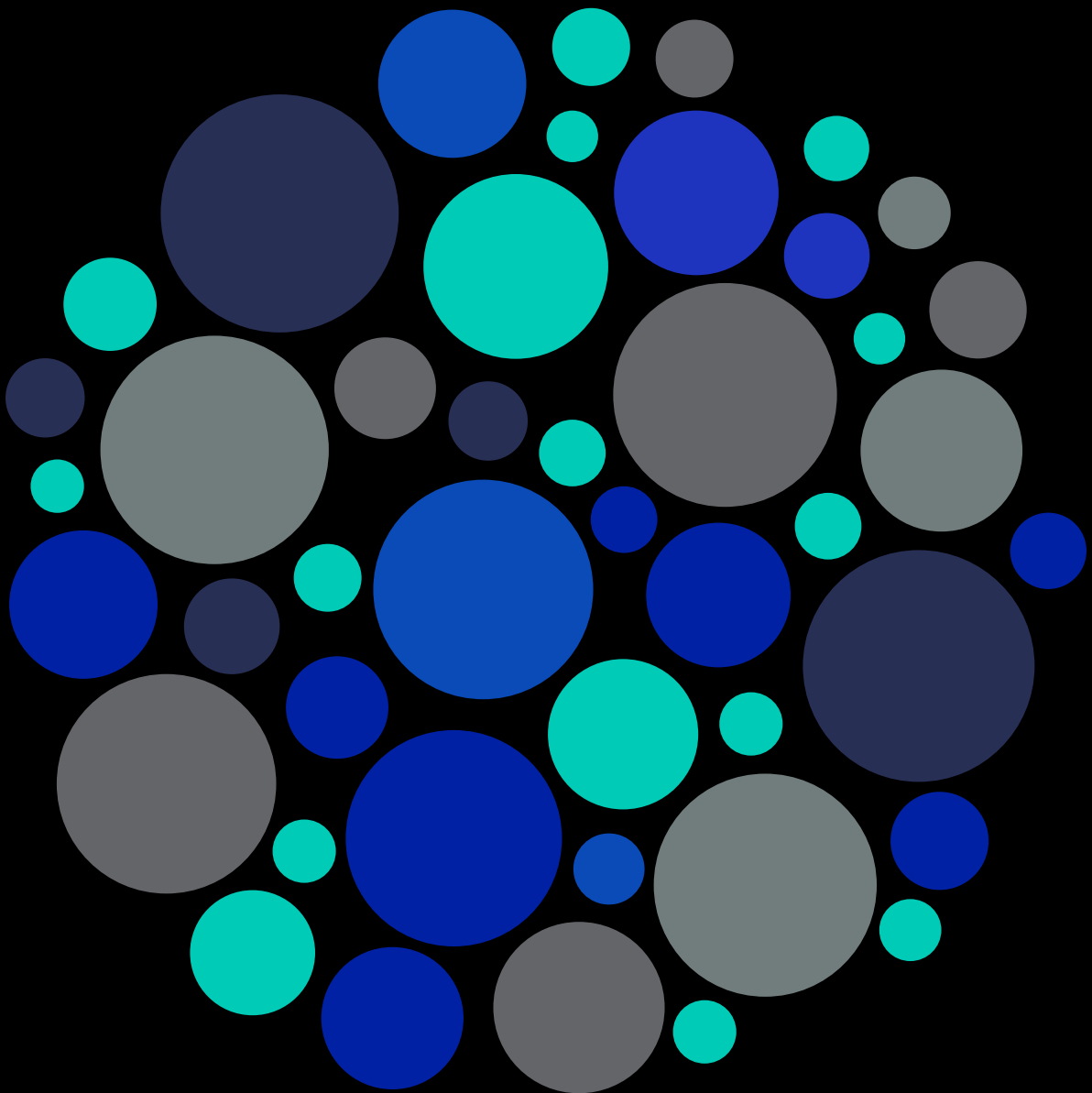


Harnessing the power of customer feedback

December 2021



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Introduction

In our May 2021 Fair Value Update we announced that we intended to undertake a piece of work to better understand how the market is obtaining and harnessing the power of direct customer feedback from individual, microenterprise and SME policyholders.

Our aim was to look beyond feedback obtained through complaints and focus on proactive methods of gathering feedback such as via customer surveys. We sought to better understand which tools are being used within the market, which of those tools provide the most valuable feedback and how the feedback is used to monitor and improve customer outcomes.

Phases of work

We undertook this work in two phases. The first phase was a short survey which we asked all managing agents to complete. We received responses from 51 managing agents. The charts included throughout this report illustrate the findings from the survey.

Following the survey we invited managing agents to participate in focus groups where we discussed the use of customer feedback in more detail. We had 22 market attendees across two discussion groups.

We would like to thank everyone who contributed to this work.

As part of the survey we asked managing agents whether they saw a benefit in Lloyd's providing guidance on customer feedback. 76% responded in the affirmative. This included all but one of the managing agents which already obtains direct customer feedback which indicates that there is appetite across the market, including from those who already have customer feedback processes in place, to explore this topic further.

This document therefore serves as both an opportunity to playback our findings and to provide guidance to the market on this important topic.

Why is customer feedback important?

To put the customer first you need to understand the customer experience from the customer's perspective. The best way to do this is to ask the customer. Product management information (MI) and complaints are of great assistance but there is a wealth of information beyond this. It's also incredibly valuable to obtain positive feedback as well as negative. This can shine a light on the things that work well so that they can be replicated and boost motivation when shared with staff.

Below are a few examples provided by managing agents of where customer feedback has provided a tangible benefit to the business.

One managing agent works with a DCA (delegated claims administrator) that used to receive negative customer feedback regarding the overall length of the claims process. After investigating the cause of the feedback they identified a need to spend more time with the customer during the FNOL (first notification of loss) to fully explain the claims process and likely timescales. A new process was introduced, supported by a comprehensive training programme, designed to fully manage customers' expectations. This clarity resulted in the DCA now receiving positive feedback from customers praising the claims handlers for their clarity in articulating the claims process.

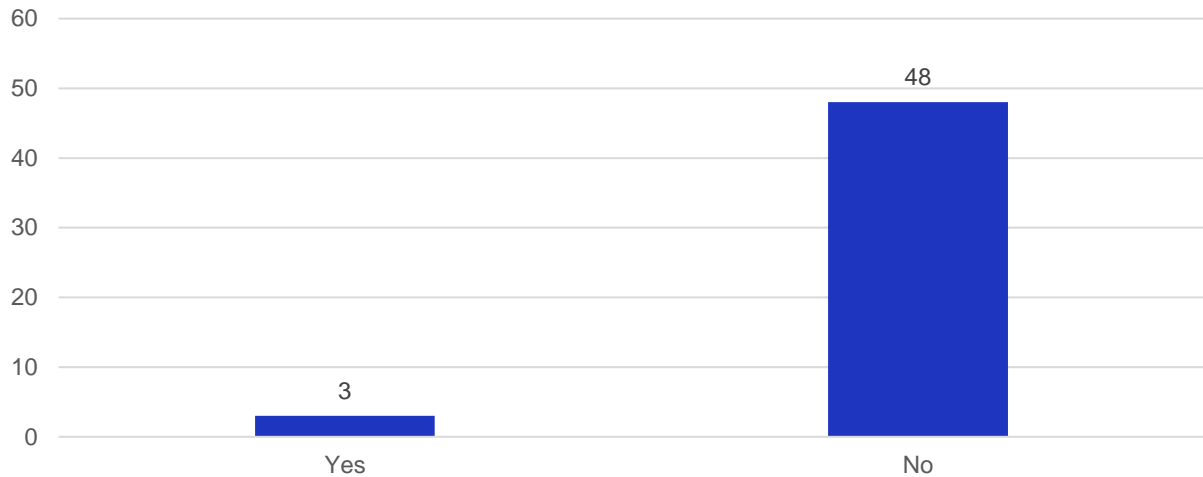
Another managing agent collects data at the conclusion of a claim settlement through a short electronic questionnaire at the end of the telephone call. This has seen significant response rates and the regular data from customers about their claims experience enables the managing agent to identify when a shift in performance or customer expectations arises. This allows the managing agent to take a proactive approach when the data indicates a potential issue which mitigates their exposure to complaint volumes.

Every month one managing agent makes a point of reaching out to an individual claims handler at one of their DCAs in response to positive feedback. They have found that this direct approach and simple recognition has a deep and meaningful impact demonstrating to claims handlers that the managing agent cares about the excellent work they do on behalf of customers. The positive feedback is also often used by the DCA to reward those individuals delivering customer excellence. This reinforces and supports the customer centric culture the managing agent is trying to develop with the DCA.

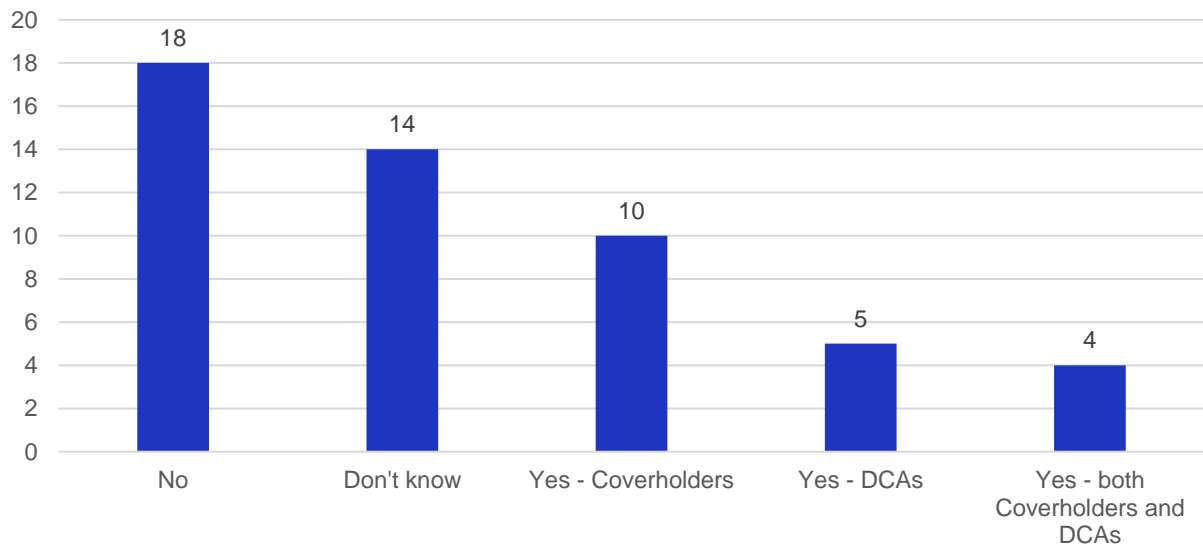
Findings

How frequently is customer feedback obtained at the moment?

Do you as a managing agent obtain direct customer feedback from your customers (individuals, microenterprises or SMEs)?

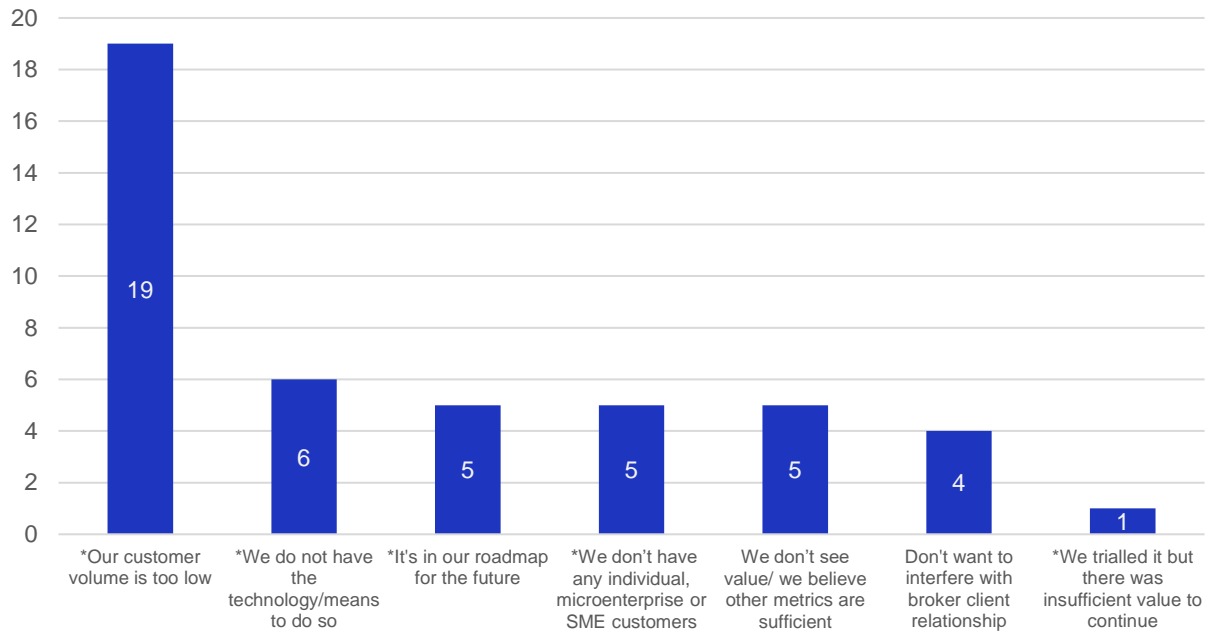


Do any of your coverholder or delegated claims administrators (DCAs) obtain direct customer feedback from your customers (individuals, microenterprises or SMEs)?



These charts demonstrate that while 37% of the market are already obtaining customer feedback (the three managing agents who obtain feedback directly also obtain it via third parties), the majority are not. We cannot tell from this data whether that 37% are obtaining customer feedback consistently or only from a limited number of their third parties but it is always encouraging to see customer feedback being attained. On the other hand 27% of the market do not know whether their third parties are obtaining customer feedback. This means there may be instances where useful data is already being compiled but the managing agents do not have the benefit of receiving it. These statistics show that there is space for significant improvement in the collection of customer feedback.

Why do you not obtain direct customer feedback?



Responses with an * were pre-selectable within the survey. Others are taken from free text responses.

The table shows the most common reasons provided by those managing agents who do not obtain customer feedback.

Only five managing agents do not have any individual, microenterprise or SME customers but 19 cite low customer volume as a reason why they do not obtain customer feedback. We discussed the implications of low customer volume at the focus groups and it was clear that volume of customers is a significant factor to consider when determining the best way to obtain feedback (discussed further below). However, it is not a justification not to obtain feedback at all.

Six managing agents indicated that they do not have the technology or means to obtain customer feedback. Implementing new procedures will necessarily take some time and likely some investment. However, at the focus groups we were told that implementing methods to obtain customer feedback does not need to be expensive. For example, including a link at the bottom of an email to provide feedback would be neither complex nor costly. Of course, choosing the most effective and appropriate feedback method for your customers and your product(s) is key and will be discussed in the next section.

A handful of managing agents indicated that they did not want to interfere with the broker-client relationship. Where there is no direct communication with the customer by either the managing agent or their coverholder/DCA we would encourage you to work with the brokers to obtain feedback. A broker will have regular contact with their customers, so feedback supplied via the broker can be just as valuable. It is important to ensure brokers are given the opportunity to pass on feedback and that this is encouraged. It's better to get the broker's feedback than to wait until they switch their client to a different product.

We are pleased to see that some managing agents have customer feedback in their roadmap for the future and hope that the guidance in this report will help drive that forward.

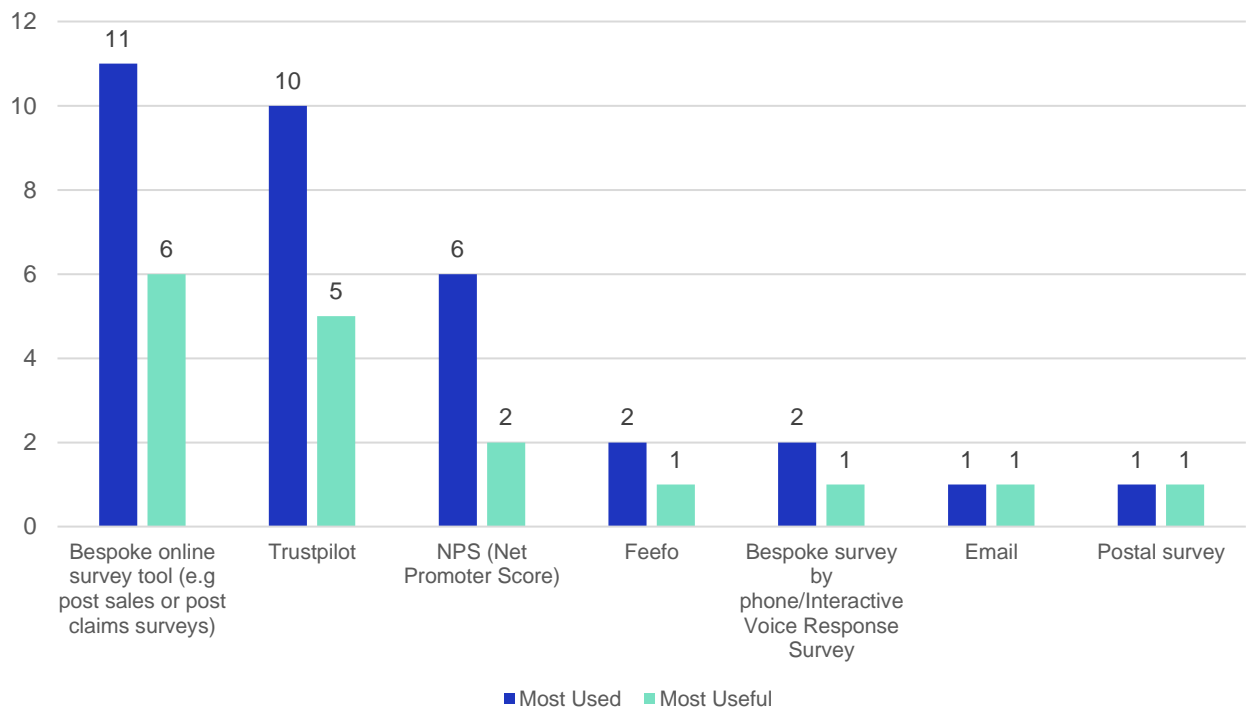
The reasons provided for not obtaining customer feedback were informative but not compelling. In the focus groups we heard a clear message from participants that individual, microenterprise and SME customers should at a minimum be provided with a suitable means to provide feedback. We agree with this sentiment and encourage the market to adopt it as a goal.

What is the best way to obtain customer feedback?

The best way to obtain customer feedback is going to be different in different scenarios. Key factors that will play a role are:

- Customer type
- Distribution method and whether there is a retail broker in the chain
- Product type
- What your coverholders and DCAs are already doing and/or are able to support you to do

How do you or your third party(ies) obtain direct customer feedback? Which of these methods do you find most useful?



This chart gives a flavour of the methods currently used in the market to obtain customer feedback. However, it is less valuable in terms of analysing which methods are most useful – is email the most valuable method because 100% of managing agents using it said it was most useful? Alternatively, are bespoke online survey tools more useful because 6 managing agents voted them useful even though that was only just over 50% of those who use them?

In this area we found the focus groups to be a much more valuable source of information.

In the focus groups discussion focussed on what makes feedback useful rather than the best method to obtain it. Three key considerations were highlighted.

1. Timeliness

Timeliness has a number of elements. Feedback needs to be requested at the right points in the customer journey and ideally though all stages in the customer journey. Feedback is important not just when a claim is made but also at the point of sale, when a mid-term adjustment is made, when a policy is cancelled and so on. Of course, it may not be practical to implement such extensive feedback collection immediately or for all arrangements. It is therefore important to consider the points at which obtaining feedback will be most useful and the points which are most achievable. One managing agent told us that they were starting with claims feedback as it was the most efficient to implement but recognised that there would be even greater value in getting point of sale feedback and they will continue working towards that.

Timeliness is also important when it comes to response rates. We were told that response rates tend to be better when feedback is requested 'on the spot' rather than as part of a follow up. For example, automated touch pad responses at the end of phone calls have proved effective in getting responses as have survey links being included in every email.

Finally, timeliness is important in terms of addressing the feedback. This is particularly the case where complaints may be raised through the feedback mechanism which need to be identified and addressed within regulatory timeframes.

2. Asking the right questions

We were told that in some cases determining the right set of questions to ask is the most time-consuming part of introducing a customer feedback process. The questions are critical to ensure the feedback provided is useful. What do you really want to know and what will you do with this feedback? It is important that customers understand what they are being asked. Equally important is keeping the question set and process simple. The more questions you ask, the less likely you will receive feedback. Following consultation, one managing agent only asks four questions including one open question.

3. Volume of responses

All feedback is valuable – even one response is better than no responses. However, some methods of feedback require a greater volume of responses than others to provide value. For example, we were told that NPS (Net Promoter Score) is most valuable with at least 500 responses per annum. It is therefore unlikely to be the best approach for smaller books. A free text response on the other hand can be valuable on

its own. It is therefore important when considering which method to use to consider the volume of customers and the expected response rate.

It's also important to consider how you will encourage responses. As discussed above timeliness can be very important when it comes to response rate. We were told that one managing agent achieves a 40% response rate with voice recognition questions at the end of calls. However, other examples of response rates provided varied from 3-15%. You might also want to consider active ways of encouraging responses e.g. all respondents go into a monthly draw to win a voucher.

Is it better for the collection of feedback to be managing agent or third party driven?

We don't consider either approach to be more appropriate than the other. In fact, different approaches are likely to be more suited to different arrangements and different coverholders and DCAs.

The first step should be understanding what your third parties are already doing in this area. Some may already have feedback processes in place that are working well. Where this is the case you can then work with them to get the relevant data. It was raised in the focus groups that in some cases it can be difficult to assess whether the feedback is specific to your product, for example Trustpilot reviews for a coverholder that writes on behalf of multiple carriers. While it may not be specific, such feedback can still be a valuable overall indicator of how the third party treats their customers. You should always be careful to ensure any data shared between yourself and your third parties is compliant with all relevant data protection rules.

In other instances your third parties may be keen to partner with you to introduce a new method of collecting feedback. Feedback helps everyone improve and is just as valuable for your third parties as it is for you.

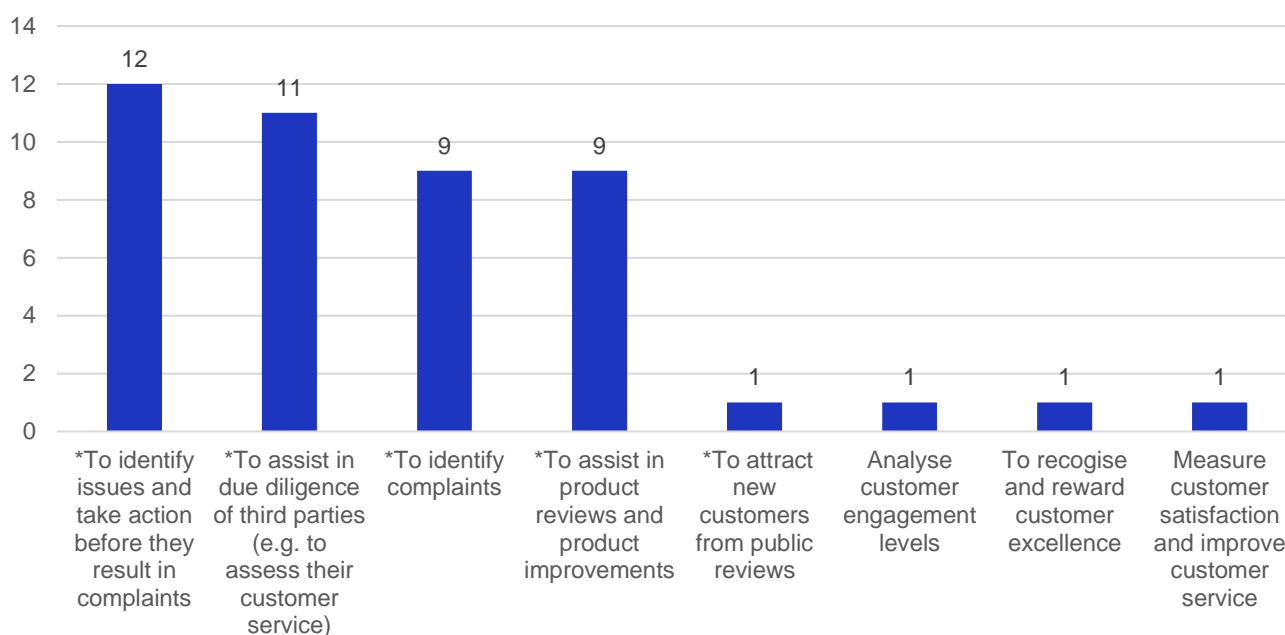
It is also worth noting that there are external suppliers who can assist with obtaining and analysing feedback. This is likely to be a more costly route but for some managing agents the support provided and the external analysis and benchmarking may be worth it.

Whatever approach you choose to take it needs to be appropriate for your customers, your product(s) and your distribution chain. It is also important to work with your third parties as they should your partners in collecting customer feedback.

What are the benefits of collecting customer feedback?

Direct customer feedback can provide insights into customers' needs, expectations and challenges that go beyond what can be learnt from the analysis of basic product data. It can help you better understand your customers and therefore better meet their needs and expectations resulting in customer satisfaction and loyalty. It can also assist in your oversight of third parties and provide confidence that they are treating customers in line with your expectations, or enable you address any issues in a timely manner. It can also help you understand what works well so that good practices can be replicated and rewarded.

What are the biggest benefits to your business [of collecting customer feedback]?



Responses with an * were pre-selectable within the survey. Others are taken from free text responses.

The responses to our survey highlighted four key areas where the market already obtains benefit from obtaining customer feedback, but it was clear from our focus groups that these are by no means the only advantages.

11 managing agents indicated that they use customer feedback to assist in the due diligence of third parties. This links back to the discussion in the earlier section about customer feedback, such as Trustpilot reviews, being valuable even where it is not possible to identify which responses are directly related to your product. Failing to look at available customer feedback as part of third party due diligence would be failing to take into account a valuable piece of data in assessing the customer service that the third party provides, which links to the managing agents reputation.

Nine managing agents use customer feedback to assist in product reviews and product improvements. Understanding the customers' perspective is invaluable when carrying out fair value product reviews. It can provide insight into all elements of the review from whether the sales process is appropriate to whether the policy wording is clear. When simplifying a product wording, understanding which parts cause confusion for customers is critical if the wording is to be designed to best meet the customers' needs. Product reviews are a time when it may be

beneficial to take additional steps to obtain customer feedback such as holding customer forums or testing prototype wordings with customers.

In the focus groups participants were keen to stress that positive feedback can also be a great motivator. Collecting feedback is not just about identifying issues but also identifying and sharing positive feedback to boost morale and ensure high performing individuals are recognised for their contributions to achieving good customer outcomes.

Ultimately the effective use of customer feedback should also see long term business benefits in terms of increased customer satisfaction and loyalty and fewer complaints.

Once you've got the feedback – Use it!

Customer feedback is only valuable if it is then utilised effectively – there is no point if it disappears into a black hole.

The previous sections of this report have touched on many ways that customer feedback can and should be used.

The first step is reviewing the feedback in a timely way. This is important from a regulatory perspective in case there are complaints to be identified but also because it is best to identify and address emerging issues early. Reviewing feedback is not a task that can be relegated to a 6 monthly process.

Use the feedback to improve products and services. Develop customer improvement plans. The biggest problems arise where there is a disconnect between what a customer thinks they are buying and what a provider thinks they are selling. Use the feedback to understand customers expectations and ensure they match the reality of the product and claims service experienced. If they don't, take steps to close the gap.

Share positive feedback and recognise employees who are exceeding your customer experience expectations.

Finally, report on the customer feedback internally. It can be a challenge to develop customer feedback reporting, but it is important that it is visible to all relevant people up to Board level. Ensure underwriters have visibility of feedback for their products and that it doesn't just sit with whoever is reviewing the feedback. Make sure actions that are agreed as a result of feedback are recorded and followed up.

Conclusion

Customer feedback is a valuable source of information and all managing agents should be aiming to obtain it from individual, microenterprise and SME customers. The best way to obtain customer feedback will differ depending on your customers, product(s) and distribution chain but the benefits remain the same – enabling you to better understand and therefore meet your customers needs and expectations leading to greater customer satisfaction and loyalty.

We encourage everyone to consider the guidance shared in this report and to remember these key messages:

- All individual, microenterprise and SME customers should be provided with an avenue to provide feedback;
- There is no one best way to obtain feedback – you need to consider what will work best for your business; and
- Customer feedback data is valuable – use it!

Next Steps

We hope that the findings and guidance shared in this report are useful as you move forward in your customer feedback journey. We are not introducing any requirements at this time, but the Customer Oversight team will be engaging with managing agents to understand progress in this area as part of BAU oversight.

If you have any questions please contact your Customer Oversight Manager.

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