5 steps to supporting customers' financial wellbeing post-pandemic

Data from The Money Charity shows that the average total debt per household in the UK, including mortgages, was £60,363 at the beginning of 2020. With one in seven now applying for payment holidays, do homeowners understand the implications of deferring payments for their future financial stability? We explore five ways that the insurance industry can help customers who have fallen into arrears due to COVID-19.

COVID-19 has suddenly and unexpectedly affected all aspects of our lives – and the impact has been as severe on our financial wellbeing as it has on our physical and mental health. The lockdown has meant that many people have seen their incomes reduced, with some losing their jobs altogether.

Many consumers, who wouldn't normally identify themselves as vulnerable, may now find themselves needing help. There are many ways in which the Coronavirus could make someone vulnerable, including losing their income because they've lost their job or been furloughed.

As a result, people are turning to their financial service providers, utility companies and landlords to get help with paying their bills and loans.

Vulnerable customers are a key theme for the Financial Conduct Authority (FCA) – the regulator mentions them more than 20 times in its business plan for the next 12 months. This will prompt firms to think about how they put into practice their commitment to treating vulnerable customers fairly throughout the customer journey.

So how should insurers be addressing that regulatory challenge and, importantly, what does prioritising their vulnerable customers mean for them?

First of all, insurers need to understand their customers' changing behaviour better. As lockdown restrictions begin to lift and insurers look to return to business as usual, some are struggling to cope with the volume of traffic from anxious customers needing help with reduced income, inability to pay bills or lack of options for managing debt. The Coronavirus has also meant that insurers' traditional operating models have been disrupted and their customers have been forced to use digital channels to contact them. Insurers may not be set up to receive payments from their new virtual contact centres, as well as remain PCI-compliant.

Insurers need to find proactive solutions. They have previously been ahead of the game, with products such as car insurance policies that are automatically cancelled as soon as a payment is missed. However, with the Coronavirus comes a new set of adjusted risks and this is no longer necessarily the case. The FCA is now expecting general insurance firms to give premium finance customers breathing space instead of cancelling policies.

But while this is a great short-term solution in furlough, there can be no doubt that people face longer-term consequences now that the furlough scheme has been extended and the UK is preparing to enter a severe recession. Indeed, the Institute for Social and Economic Research is warning that more than 6.5m jobs could be lost due to the Coronavirus pandemic and this will seriously affect people's ability to pay off debt that they've built up during 2020.

So, what can the insurance industry do to help customers who get into debt as a result of the Coronavirus pandemic? Here are five steps that you can take to support your customers' financial wellbeing.

1 Be proactive in identifying vulnerable customers

Like many industries, insurers find it challenging to identify and respond to vulnerable customers. But there is now a sense of urgency and prioritisation: the pandemic has dramatically increased the numbers of people who find themselves in vulnerable situations, as they struggle with their emotional, physical and financial wellbeing.

Proactively identifying customers will allow you to offer the right help to the people who need it. Bespoke training will help your frontline staff – particularly those in call centres – to recognise customers who may be vulnerable. In addition, you can deploy smart support for agents, such as real-time speech analytics to help them to recognise sentiment and patterns of speech that demonstrate vulnerability.

In May 2020, the FCA issued guidance to insurers and premium finance companies* about COVID-19 and customers in temporary financial difficulty, and its expectations for firms dealing with customers with general insurance and pure protection contracts. The guidance was designed to prompt firms to help qualifying consumers, where possible, to minimise the impact of temporary financial distress, and to ensure that customers continue to have insurance that meets their demands and needs.

Insurers are advised to consider this guidance on assessing product value in light of the Coronavirus. However, they do not anticipate that just adjusting the price of products will address all customers' financial difficulties, which need to be considered in addition to any actions that may have been taken for whole product lines for qualifying customers.

The guidance covers which firms this applies to, when firms should act, actions that they can take, expectations relating to interest rates and advice on payment deferrals.

An alternative option is to enable customers to self-identify as vulnerable or to update their circumstances, for example through an app. Insurers can use this information to provide a tailored service, for example helping customers who are worried about paying their monthly payment or by prioritising support when there are associated risk adjustments.

2 Give the customer choice

Financial conversations are not easy, especially for customers. Removing barriers to the conversation is therefore essential, and that means offering a choice of channels. Customers may not want to discuss their financial circumstances with another person because they're embarrassed or stressed, for example, but they may be happy to echange emails or answer questions posed by a chatbot.

Offering the alternative of digital channels, such as chat (which sees high levels of satisfaction in the telecoms industry), to traditional call centre agents means that customers can engage on their terms, reducing the effort, stress and – ultimately – financial impact for them.

3 Flexible payment technologies

By offering a breadth of channels for managing payments, you can offer your customers a choice and, hopefully, make life a little easier for them. This is not just about offering typical payment methods such as online or telephone credit / debit card transactions; it is about offering alternative payment methods. For example, the volume of smartphone payments (Android and Apple) is set to treble globally in the next five years** – people want to be able to pay however and whenever is convenient and are embracing the technology that supports that.

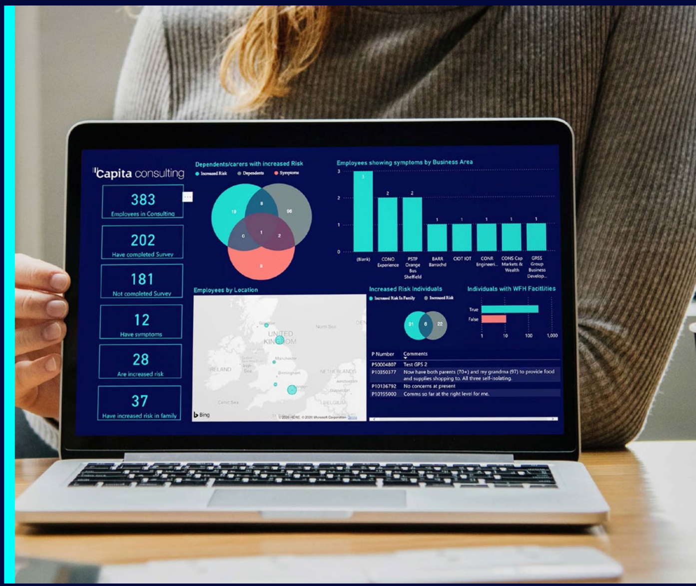
If a customer cannot pay you now, they'll have to at some point. Typically an automatic policy cancellation process with a customer notification letter would initiate that, with the hope that your customer will reinstate their policy without the offer of an alternative payment plan. This creates friction with your customer and, ultimately, negative sentiment about your apparent lack of concern for and understanding of their financial situation. To demonstrate more empathy and to protect your relationship with your customer, you must make the payment journey as easy as possible for them.

Until recently, most insurance companies performed debt collection activities in the traditional way: with phone calls and letters. Many also use SMS, to send collection messages that may redirect customers to online payment systems.

Most recently, though, these technologies have evolved to incorporate 'intelligent SMS' and email distribution, which can track customer behaviour and combine this with decisioning applications. This allows for much more precise communications tailored to individual customer preferences.

4 Meet regulatory standards

Complying with regulation is critical to the health of any debt management operation and ensuring appropriate and fair outcomes for customers is paramount. Often, this can be a time-consuming, retrospective check, listening to calls and rating them for compliance. Sampling levels vary but, once they've become competent, agents often only have a small sample of their calls, perhaps up to 5%, checked each month.



Technology can help you to stay compliant. Real-time speech analytics, for example, can offer significant benefits by providing 100% quality checking of all calls, automatically scoring them for compliance and flagging up any issues to your quality assurance team. This can help you to demonstrate fair outcomes, as you can review many more customer conversations and focus on improving the areas where you're non-compliant.

5 Data and analytics

There are several key areas within the debt lifecycle where businesses can benefit from using data and analytics.

Firstly, if we take the area of forecasting and modelling books of debt, COVID-19 has forced us to change our underlying assumptions about how to model debt after the pandemic is over. Previous assumptions may no longer be valid, so getting data science experts to review these models is a good starting point.

Secondly, data and analytics can be used to segment customers who are already in arrears and identify the most appropriate strategies for managing them, such as propensity to pay or best time and channel to contact. All of these can offer insight into the best ways to engage constructively with them.

Finally, data and analytics can now help you to understand the triggers of debt better. This allows you to develop proactive strategies and intervene as soon as you see the warning signs.

How organisations treat existing and newly vulnerable customers is extremely important during this crisis. People will remember those organisations that support them properly and they will certainly remember those that don't. For more information on how Capita can help you to support your vulnerable customers more effectively, visit www.capita.com.

*FCA Guidance: Coronavirus and customers in temporary financial difficulty: draft guidance for insurance and premium finance firms.
**Source: IMARC Mobile Payment Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2020-2025