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10 November 2010

**Re: Themed Inspection: Third Party Motor Insurance Claims Processing**

Dear «Greeting»,

As you may be aware, the Central Bank of Ireland carried out a themed inspection during 2010 focussing on third party motor insurance claims. 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.

The central aim of the themed inspection was to examine the process in which firms comply with the Claims Processing requirements of Chapter 2 to the Consumer Protection Code when handling third party private motor insurance claims. The inspection also focused on a firm's interaction with the third party claimant from the notification of a claim through to the damaged vehicle being repaired to its pre accident condition, or in the case of a write off, a financial settlement being made for the loss incurred.

During the course of the themed inspection the Central Bank undertook ten on-site inspections of selected firms. Overall, the findings of the inspections were positive and demonstrated to the Central Bank that firms are in general applying a high level of compliance to the claims processing requirements of the Code. It was particularly pleasing to note that firms treated third party claimants no differently than their own policyholders and as such there was no evidence of consumer detriment.

Whilst the overall findings were positive the on-site inspections identified some issues in a small number of firms, these being as follows:

- *Provision 23 of the Claims Processing section in Chapter 5 of the Code requires firms to pay all claims to the claimant within 10 business days once conditions, as outlined in the Code, have been satisfied.*

In a small number of instances, firms had not complied with this timescale and in the circumstance it is necessary that firms have adequate systems and controls in place to ensure that payment settlements are made within the prescribed timescale. The Central Bank would advise all firms that non compliance with the required timeframe is a breach of the Code and as a consequence could be subject to regulatory action.

- *Provision 21 of the Claims Processing section in Chapter 5 of the Code requires that where the policyholder will not be the beneficiary the policyholder must be advised in writing of the final outcome of the claim including the settlement amount. Further, where applicable, the policyholder must be informed that the settlement of the claim will affect future insurance contracts of that type.*

It was noted that some firms appear to have incorrectly interpreted the requirement of Provision 21 to mean that the policyholder could receive the required information at the policy renewal notification period. Whilst there is no specific timeframe set out in Provision 21 the Central Bank would advise firms to fulfil this requirement during the claims processing stage, thus allowing the policyholder an opportunity to consider whether or not to meet the cost of the claim in order to protect their no claims discount, where applicable.

- *Provision 17 of the Claims Processing section in Chapter 5 of the Code requires firms, who intend to engage the services of a loss adjuster/ expert appraiser, to inform the claimant of the contact details of the loss adjuster/ expert appraiser, as well as the fact that the loss adjuster/ expert appraiser acts in the interest of the firm.*

Whenever the services of a loss adjuster / expert appraiser are used the Central Bank would expect firms to establish a record of the fact in order that this may be verified at a later date.

- *Provisions 20 of the Claims Processing section in Chapter 5 of the Code requires firms to advise the claimant in writing within 10 business days of the outcome of the investigation explaining the terms of any offer of settlement, or in the case of a claim being denied, the reasons for the denial.*

It is the practice of some firms to inform the claimant of the settlement offer by way of verbal communication rather than in writing. At all times, the Central Bank would expect firms to communicate the outcome of the investigation to the claimant in writing, as per the Code.

- It was noted in one instance that a claim had been delayed because the firm had not received a completed claim form from the policyholder, this despite a reminder having been sent to the policyholder. The Central Bank would have a concern if the non completion of a claim form was to cause unnecessary delay to the consideration of liability to a third party claim.
- It is the responsibility of the individual firm to ensure that any outsourced activity complies with the Code. All Delegated Authority Agreements / Service Level Agreements should contain the requirements of the Code in respect of claims processing. Firms that use outsourced activities must ensure, during audits of the entities to which activities are outsourced, that the provisions contained in the Claims Processing requirements are being fully complied with. Firms should also include, as part of their audit of the loss adjusters, a requirement to test timescales as laid down in the Claims Processing requirements in Chapter 5 of the Code.
- In general, it was noted that firms had provided a reasonable level of assistance to third party motor insurance claimants and had endeavoured to pay claims with a minimum of delay once liability for the claim had been accepted. Some firms offered claimants / policyholders a repair service from a panel of repairers selected by the firm, whilst other firms had put in place an arrangement with a Car Hire company to ensure that a claimant was not inconvenienced by the loss of use of their motor vehicle. The Central Bank welcomes such arrangements.

It is appreciated 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 would expect that they are 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@centralbank.ie](mailto:joe.morley@centralbank.ie).

Yours sincerely

A handwritten signature in black ink, appearing to read "A. O'Brien". The signature is written in a cursive style with a large initial 'A' and a distinct 'O'Brien'.

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