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ASIC General Insurance Pricing
Practices Reviews – Efficient Transition
from FIND to FIX and REPAY

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ASIC Pricing Review: Beyond FIND

General insurers have now completed their response to the ASIC ask of reviewing the pricing promises made to customers, and are pivoting towards FIX and REPAY phases of their programs, mindful that quickly resolving these issues is important to driving customer satisfaction, reputation, cost and regulatory compliance.

And so begs the questions: what's next? How do insurers take the lessons learnt from the FIND phase and leverage these appropriately? What do insurers need to do to set up for success? In this article, we will explore these considerations for insurers based on Deloitte's extensive experience in remediation and rectification programs as the industry transitions from FIND to FIX and REPAY.

> " Insurers are encouraged to bring together the right people, experience and tools to prioritise and address the FIND phase issues quickly
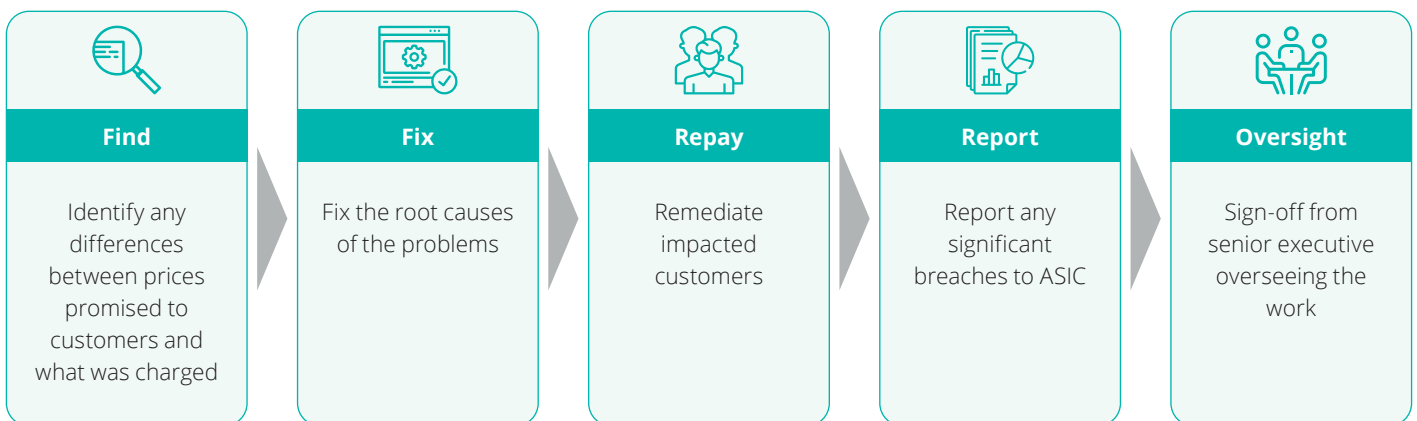
Regulatory expectations: ASIC's Consumer Remediation Guidance RG 277

ASIC released its revised guidance RG 277, Consumer Remediation (RG 277) in September 2022, setting out expectations on how organisations remediate customers where they have or may have suffered loss as a result of misconduct or other failings. This guidance, which should be read in conjunction with ASIC's guide "Making it Right: How to run a consumer-centred remediation" which sets out nine principles for conducting effective remediation. Insurers which have identified issues from the ASIC Pricing Promises Review should follow these principles, developing robust and considered remediation programs to promptly remediate impacted customers.

Background: Setting the scene

In October 2021[1], ASIC asked a number of general insurers to perform a review to determine whether pricing promises made were given in full to customers. As part of the review, ASIC expected insurers to undertake the following activities:

Find	Fix	Repay	Report	Oversight
Identify any differences between prices promised to customers and what was charged	Fix the root causes of the problems	Remediate impacted customers	Report any significant breaches to ASIC	Sign-off from senior executive overseeing the work

[1] https://asic.gov.au/about-asic/news-centre/find-a-media-release/2021-releases/21-270mr-asic-launches-federal-court-action-and-calls-on-general-insurers-to-review-pricing-practices/

Following the completion of the FIND phase, insurers are considering how to best transition to FIX systems and processes to prevent reoccurrence in the future and REPAY impacted customers in a manner that will help minimise disruptions to existing business operations, giving the insurer the best opportunity to successfully execute the remediation of impacted customers. In the remainder of this paper, we will provide some key considerations to:

Lay the right foundations → **Plan** → **Execute**
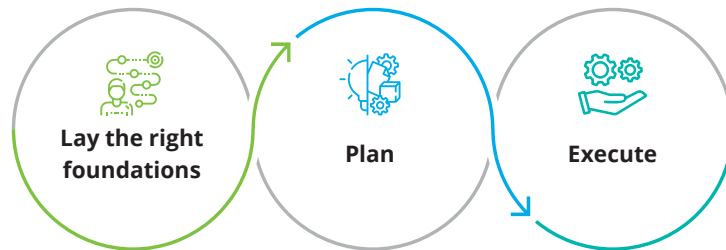
1   It begins with strong program foundations

We have seen with our clients that setting up the right foundations is an important enabler to smoothly transition from FIND to FIX and REPAY. We encourage insurers to consider the following best practices when transitioning from FIND to FIX and REPAY and including them in a comprehensive plan:

Think about **setting up strong project governance, leadership and working groups** supported by well resourced, capable and collaborative teams. This will help ensure bottlenecks due to reliance on SMEs are reduced as well as make sure that decisions and implementations are made by the right people with consideration to connections across different functions (e.g. IT, actuarial, pricing, marketing, operations, etc.).

Be realistic when planning timelines, build buffers for uncertainties and communicate priorities clearly to stakeholders to minimise disruption to BAU operations. Our past experience with insurers during FIND has shown that data issues, reporting framework issues and finding SMEs with the right knowledge to deal with identified issues requires time to work through and resolve.

Integrate FIX and REPAY into any existing remediation frameworks, governance and operational structures to keep the program consistent with existing operations and strategic goals. This includes any customisation on existing remediation frameworks to be fit for purpose for issues identified in the FIND phase.

2 Develop robust plans and methodology for FIX and REPAY

Our experience from FIND and other remediation programs shows that having a clear and detailed plan and methodology for both FIX and REPAY will ensure that the remediation program is well designed to run smoothly. Considerations include the following.

Deep Diving, Prioritisation and Scaling

It might be hard to address all the issues at once due to complexity and resourcing challenges. Digging deeper into findings to understand the complexity, impact to customers and root causes will help with prioritisation. Once deep dives are completed, think about immediately prioritising any:

- Quick wins
- Issues involving vulnerable customers e.g. customers with lower socioeconomic backgrounds.

After this, think about prioritising those issues which are significant. This can relate to:

- Issues with large volumes of business. Consider metrics like Gross Written Premium and/or number of in force policies (across different products and distribution channels) to measure volume
- Issues which had large numbers of customers being impacted or those with significant financial impact.

There might be customers who have several policies, with more than one issue on each policy which all need to be taken care of as part of the program. Consider:

- Best endeavours in planning for a single customer view combining all policies and issues across different products and systems in one place to understand complexity and extent of customer impact
- Planning how to balance fixing all the issues at once versus in stages based on complexity and time requirements using the single customer view
- Thinking about how the differences between simple standalone issues (e.g. a $50 online discount provided to a customer on their final premium) versus complex interlinking issues (e.g. a loyalty discount that may have failed to be delivered due to an incorrect discount being applied, minimum premiums and price floors) should be best prioritised based on customer impact, resourcing and remediation requirements.

Finally, try to find and plan for upscaling opportunities where possible to help speed up processes such as data extraction, analysis and remediation e.g consider tackling several similar issues at once as part of a bundle rather than going through them one by one if addressing these can be done using a similar process - think about common patterns for issues where they are:

- Under a single product, distribution channel or fix type (e.g. algorithm or communications change)
- Issues which are interlinked with each other.

Leveraging FIND

Consider utilising the output from FIND effectively to avoid any re-work e.g. using data and testing models during FIND testing as a starting point for deep dives in REPAY.

Fixing the Past

Find out if any historical fixes are required e.g. for no claims bonus promises, fixes may be required to both current and historical levels to assist with REPAY calculations.

Lay, Plan, Execute

Plan for short, medium and long-term fixes as required to stop critical issues immediately and/or future recurrence.

Develop a robust methodology for remediating impacted customers, embedded into an end-to-end customer journey design.

Fast Track

Where fixes aren't needed, fast track issues to REPAY to speed up remediation. For example, issues found in legacy systems which no longer cause ongoing problems may progress straight to remediation.

Strategise Fixes

Create and weigh up different fix approaches available (e.g. updating algorithms versus updating customer communications) to help inform the right decisions and actions.

Root Cause Analysis

Agree overarching principles and criteria to ensure the root cause analysis is done consistently and in a timely manner.

Strengthen

Identify gaps and strengthen controls, assurance and governance processes to help better manage risks around promises and pricing processes.

Accountability and Responsibility

Make relevant parties accountable and responsible for issues to reduce staff misalignment.

Adequate Resourcing

Reliance on small number of SMEs (e.g. product managers and pricing actuaries) could cause bottlenecks. Consider broader pool of internal and external experts needed to push activities in line with planned timeframes.

Understand Limitations

Any data or system limitations identified in FIND should be worked out and resolved for efficient system fixes and customer remediation. Consider deep dive to fully understand the data or system limitations.

Review Assumptions

Understand the impact of assumptions incorporated in FIND and their implications for FIX and REPAY. New data relating to the assumptions may need to be sourced to progress remediation.

Customer Centric View

Insurers should plan FIX/REPAY based on what customers would expect given communications they received as opposed to how internal processes or algorithms were historically designed.

3 **Executing FIX and REPAY**

Based on our experience with other insurance remediation programs, consider the following best practices for implementation of the FIX and REPAY phases.

Single Customer View

- Where needed, develop a single view of customers and utilise it to understand complexity and extent of customer impact for remediation work and payments

- Make sure the data, infrastructure and automation tools used to create this view are appropriate for use and can be updated regularly to reflect any changes to customers e.g. changes to policy and contact details

- Information is segmented and presented to deliver insights to issues at various levels (e.g. issue, product, policy, customer, system) to help inform FIX and REPAY decisions.

Communication

- Set up infrastructure for communicating information and outcomes to customers e.g. email, SMS, letters

- Set up a website to provide relevant information about the Program, FAQ, and remediation contact details for various programs to customers

- Consider any requirements needed when communicating to customers e.g. language tailored to vulnerable customers

- Ensure wording is aligned across all communication medium templates (e.g. web, SMS, letters, emails) to minimise customer confusion and give a better customer experience

- If possible, bundle communications into one letter to avoid sending multiple remediation letters to customers over an extended period.

Collaborate

Make sure leadership is working closely with operations to ensure everyone is well guided and informed. QA should be set up to review the process and give ASIC assurance that program execution is robust.

Central Oversight

Set up central program oversight to ensure different areas of the business are operating in line with program principles.

Data and Actuarial Expertise

Gather required capability as soon as possible to make sure that the team can perform and review bespoke /complex calculations in line with community expectations.

Regulatory Considerations

Engage with ASIC on current and future planning, incidents, issues, timelines, progress and approach to addressing issues. Make sure RG 277, and the Making it Right guide are used to support decision making.

Payment Calculation

Remediate customers by calculating the difference between what the customer was charged versus what they should have been charged and account for interest. Have this well-documented within a methodology.

Payment

Use banking details on file to remove any "friction" in customers receiving remediation refunds. If not possible, requesting information or other payment methods.

Data Mitigation Strategy

For customers being held back from the remediation process due to data exceptions, have a process in place to progress remediating unaffected customers for timely payment.

Complaints

Set up processes for handling remediation complaints, bespoke communications and special circumstances to manage customer relations and uphold brand and reputation.

Conclusion/key takeout

Insurance rectification and remediation programs are challenging but where our clients have laid strong project foundations, planned strategically and embraced collaboration as part of executing the program, they have successfully navigated system and process rectification and the remediation of impacted customers. Insurers are encouraged to apply the lessons learnt across the insurance and financial services market to bring together the right people, experience and tools to prioritise and address the FIND phase issues quickly, applying the principles of delivering fair and consistent outcomes to customers, restoring trust in financial services and positively impacting the insurance brand.

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