

# A guide to **identifying** vulnerable customers

Best practice for  
insurance brokers  
2023



## Who are vulnerable customers?

The Financial Conduct Authority defines a vulnerable customer<sup>1</sup> as: “**Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.**”

At Aviva, our definition of a customer in a vulnerable situation is ‘**someone who, due to their personal circumstances, is potentially susceptible to detriment, requiring Aviva or a Partner to provide an enhanced and focused level of care.**’

<sup>1</sup>Guidance for firms on the fair treatment of vulnerable customers, FCA 2021.



## What makes a customer vulnerable?

Any customer may need extra help but there are some circumstances that can make this more likely. The four drivers of vulnerability are listed below, along some of the associated characteristics.

Whilst the FCA guidance primarily refers to individual customers, it's important to remember that vulnerability is also present in the commercial space. Commercial customers experience the same issues and challenges that anyone else will and during tough economic times, there is the added challenge of financial vulnerability.



### Health

- Hearing or visual impairment
- Mental illness
- Long-term illness
- Physical disability



### Resilience

- Ability to withstand financial or emotional shock
- Over-indebtedness
- Low savings
- Inadequate or erratic income



### Life events

- Bereavement
- Relationship breakdown
- Caring responsibilities



### Capability

- Low financial awareness and/or confidence in managing finances
- Low literacy skills
- Low English language skills



## Loneliness

## Dementia

## Economic uncertainty

**Sometimes, a conversation you have with a customer may be the only human interaction they've had all day. Feelings of loneliness may be triggered by:**

### Isolating circumstances

- Having no friends or family
- Being a single parent or carer
- Experiencing discrimination and stigma because of sexual orientation, gender, disability or race
- Experiencing abuse

### Life events

- Bereavement
- Retirement
- Changing jobs
- Relationship breakdown

### Mental health

- Experiencing stigma due to mental illness
- Social phobia or social anxiety
- Low self-confidence

A customer who is vulnerable because of loneliness may be easily led or manipulated in return for company, and therefore targeted by scams.



Loneliness

Dementia

Economic uncertainty

**There are around 944,000 people living with dementia in the UK.<sup>1</sup> Although most of them are over 65 years old<sup>2</sup>, dementia is not a natural part of ageing: it's actually caused by a range of progressive illnesses that affect the brain, including Alzheimer's disease. There is currently no cure.**

**Dementia can affect everyone differently, but some common symptoms include:**

- memory loss and confusion
- difficulty with performing familiar tasks
- poor judgement
- changes in mood or behaviour
- problems with language and communication
- difficulty planning or thinking things through
- not making informed, careful decisions when dealing with money or looking at risks.

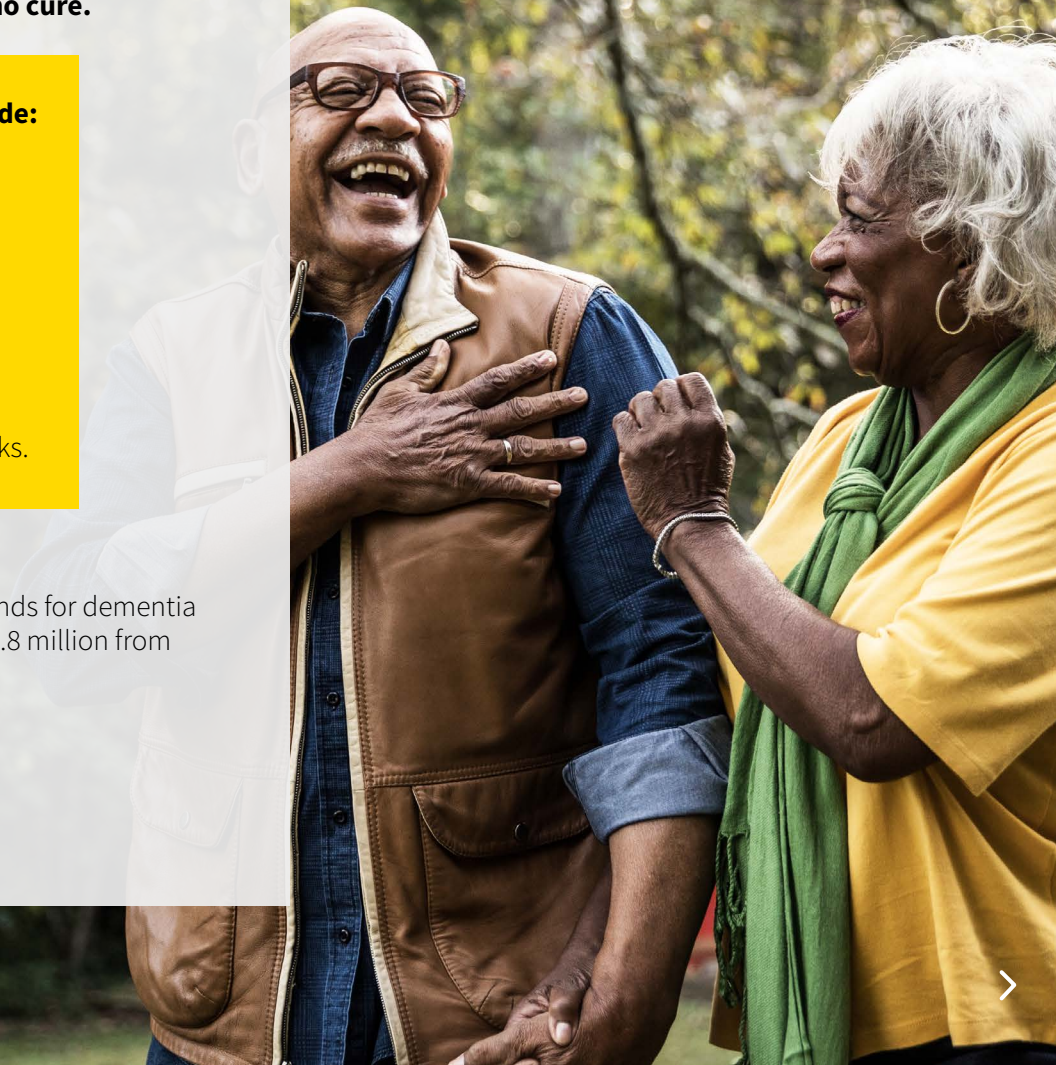
**Aviva's work with dementia**

Aviva is a board member of Insurance United Against Dementia, a movement to raise funds for dementia care and treatment in partnership with Alzheimer's Society. The campaign has raised £6.8 million from across the industry since its launch in 2017.<sup>3</sup>

<sup>1</sup>Dementiastatistics.org, 2022.

<sup>2</sup>What is Dementia? Alzheimer's Society, 2023.

<sup>3</sup>Insurance Against Dementia, Alzheimer's Society, 2023.



## Loneliness

## Dementia

## Economic uncertainty

**During times of economic uncertainty such as a recession or in the example of the pandemic, both individuals and businesses can be faced with financial pressures that can make them vulnerable.**

Our recent [Aviva Risk Insights Report](#)<sup>1</sup> showed that economic concerns were the biggest risk currently facing UK businesses and their confidence in the UK economy dropped from 5% in 2021 to -50% in 2023. 58% of businesses said they would be unlikely to survive beyond a year if energy bills increased in the 5x to 10x range and 30% believe the mental health and wellbeing of their staff has deteriorated over the last 12 months.

A tough economic environment can drive businesses to look for ways to cut costs and insurance cover may be an example of where these cuts are made. This could leave a customer underinsured, and potentially more vulnerable, in the event of a major loss.

<sup>1</sup>[Aviva Risk Insights Report, 2023](#)



## What are the potential harms of failing to identify a vulnerable customer?

All of us in the insurance industry have an obligation to understand and respond to the needs of our customers. However, under the FCA's Consumer Duty and Vulnerable Customer guidance, there is a lot more emphasis on evidencing any actions you're taking. You need to be able to demonstrate how the culture in your business is ensuring the fair treatment of customers, including those considered vulnerable.

Failing to identify vulnerable customers, recognise where they need additional care and evidence any additional support you provide could present risks to them, your business and us at Aviva.





### **A vulnerable customer might:**

- be exploited or taken advantage of
- be susceptible to a financial loss
- take poor advice and make a decision that could have long-term and severe impacts
- not understand all of their options
- be tied into a product they're unable to exit without penalties.



### **Your business might:**

- face brand or reputational damage
- breach your obligations
- generate complaints or fines
- fall out of step with the industry
- invalidate contracts with your customers
- lose customers
- have areas of your business shut down, in severe cases.





## How can I identify vulnerable customers?

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Vulnerable customers may have difficulty communicating with and understanding you. Here's what you should look out for.



## Over the phone

## Through writing or email



### Over the phone

When you're on the phone with customers, listen carefully to identify any potential signs that they may be vulnerable.

**A vulnerable customer may:**

- seem confused or unable to understand you
- repeatedly ask the same or similar questions, or ask unrelated questions
- appear to be intoxicated or under the influence of alcohol
- mention medication, illness or disability
- struggle to answer basic questions
- appear agitated or upset
- make comments or give answers that are inconsistent
- be abusive.

**Triggers that may indicate financial vulnerability can include:**

- contacting you to cancel cover
- missing a payment instalment
- asking to reduce cover

These signs may be seen across both personal and commercial customers.



Over the phone

Through writing or email



## Through writing or email

When writing to a customer, it's important you make your communications clear and simple. If a customer writes to you and seems confused or unsure in their letter or email, consider giving them a phone call.

### In writing, a vulnerable customer may:

- write in a disjointed manner, or a change from their usual writing style (always check their previous correspondence)
- make unusual or unexpected decisions
- state that they had assistance from someone else with basic decision making
- say that they are confused and don't understand
- be unable to recall information previously provided
- keep repeating themselves
- tell you that they're stressed or worried
- return a document with a mark rather than a signature.



## What should I do if I think a customer might be vulnerable?

If you identify a customer as potentially vulnerable, here are some steps you can take.



## Best practice

## The TEXAS model

## Safeguarding

## Recording information

### Best practice

In general, when working with vulnerable customers:

- speak clearly
- set expectations for your conversation
- if they are upset or agitated, ask if there is a better time to call
- don't rush them
- be patient
- ask the customer to explain their understanding
- don't assume what the customer wants.



Best practice

The TEXAS model

Safeguarding

Recording information

## The TEXAS model

The FCA recommends using the TEXAS model as a framework for dealing with vulnerable customers.<sup>1</sup>

T

Thank the customer

E

Explain how their information will be used

X

Get explicit consent  
Or CheXs\*

A

Ask questions about their needs

S

Signpost or refer to internal and external help, if necessary

<sup>1</sup>Guidance for firms on the fair treatment of vulnerable customers (figure 3.18), FCA 2021.

\*Depending on the basis on which the data will be processed, 'X' refers to either: explicit consent is sought; or cheXs ('checks') made to ascertain if the customer objects to data processing.



## Best practice

## The TEXAS model

## Safeguarding

## Recording information

## Safeguarding

Safeguarding means protecting a person's right to live in safety, free from abuse and neglect. In the UK, local authorities have safeguarding boards dedicated to protecting children and vulnerable adults in the area. Other organisations are involved, including the police, housing, social services and the NHS.

### External support

- social services
- the local Safeguarding Adults board
- the police, in an emergency

### Support at your own business

- fraud representative
- financial crime representative
- vulnerable customer representative



## Best practice

## The TEXAS model

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## Safeguarding

**Your business should have its own safeguarding procedures in place, so refer to these if a customer discloses that they are at risk of harm, either through neglect, abuse or self-harm. Here are some considerations for handling a conversation where there is a safeguarding concern.**

1. Listen carefully and respond sensitively.
2. Ask questions gently, without prompting or causing distress.
3. Obtain and confirm their name, contact number and address.
4. Establish whether they are alone or with someone.
5. Adapt your questions depending on the circumstances.
6. Use open-ended questions to gain as much information as possible.
7. Keep calm and don't rush the conversation.
8. Wherever possible, inform the customer that as you are concerned for their safety, you may have to share what they have told you with an appropriate body. You may decide not to disclose this if there are reasonable grounds to believe it would increase the risk of harm.
9. Confirm with the customer what they have told you to check the facts.
10. Where appropriate and lawful to do so, you could consider contacting an appropriate person or body. Use your business's safeguarding procedures to inform your decision.





Best practice

The TEXAS model

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## Recording information

Information a customer provides you about their needs should be handled with care. The information you record should be accurate, relevant and appropriate for the purpose of your conversation, such as administering a policy.

Your approach to recording information may change depending on the GDPR lawful basis you rely on. As an example, your guidance may stipulate that you:

- use a TEXAS model when communicating with the customer
- only record factual details
- record if you have adapted your method to meet a customer's needs (for example, using a written process with a customer who has hearing loss)
- remember that the details you have recorded may be used by anyone else dealing with your customer, and the customer may ask to see them
- only record a specific diagnosis or details of a condition where appropriate.



## What is Aviva doing to support vulnerable customers?

### Personal Lines customers

- If we are collecting the payments directly from customers we can offer flexibility, for example payment deferrals
- In addition if a customer on Aviva credit does not make a payment, we signpost support services available to them
- We strive to make claims payments as quickly as possible, taking into consideration individual circumstances. Claims handlers have flexibility on a case by case basis, for example when an excess payment is taken.
- We can provide documents in an alternative format upon request
- Help customers who contact us directly by having teams that are trained on how to support customers with additional needs.

**Take a look at our [UK GI Vulnerable Customer Policy](#)**



## What is Aviva doing to support vulnerable customers?

### Commercial Lines customers

- We provide flexible payment terms for customers paying by Direct Debit and offer instalment facilities for those who pay annually
- Customers can adjust policy limits and cover requirements mid-term with no administration fees
- We strive to make claims payments as quickly as possible, taking into consideration individual circumstances. We can also provide interim payments for large losses where a customer is in financial difficulty
- Customers can access risk management guidance and support across a number of areas to help businesses navigate challenges and remain resilient
- We have a range of risk management Specialist Partners who can offer solutions and services to our commercial customers at preferential rates
- Aviva customers have access to legal and tax support through the Aviva Business Law portal at no extra cost.
- A counselling helpline is available to employees of our customers to access support on personal issues including financial pressures
- We've partnered with the Money Advice Trust whose Business Debtline offers free debt advice service for small business owners and self-employed people
- We can provide documents in an alternative format upon request.

Take a look at our [UK GI Vulnerable Customer Policy](#)



For more online training resources designed for insurance brokers,  
visit [www.mydevelopment.zone](http://www.mydevelopment.zone)

This [broker webinar](#), recorded in 2021 when the FCA updated their guidance, may also be of interest.

You can find more information  
about vulnerable customers at:

[Financial Conduct Authority](#)

[Alzheimer's Society](#)

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