



Association of Mortgage Intermediaries' comments on "Coronavirus and customers in temporary financial difficulty: draft guidance for insurance and premium finance firms"

Association of Mortgage Intermediaries (AMI) is the trade association representing over 80% of UK mortgage intermediaries.

Intermediaries active in this market act on behalf of the consumer in selecting an appropriate lender and product to meet the individual consumer's mortgage requirements. AMI members also provide access to associated protection products.

Our members are authorised and regulated by the Financial Conduct Authority (FCA) to carry out mortgage, insurance mediation and consumer credit activities. Firms range from sole traders through to national firms and networks, with thousands of advisers.

Our comments

AMI welcomes this draft guidance, as it brings certain insurance products in line with forbearance measures offered on other financial products such as mortgages and unsecured credit. This results in a fairer and more consistent outcome for the customer, at a time when many are vulnerable.

There is a continued need for advice, so that customers can assess the options available. Mortgage intermediaries (who often deal with GI and pure protection policies) are well placed to provide this advice, whether regulated or generic.

We would like to comment on areas of the draft guidance:

- We note the change in language from 'payment holiday' to 'payment deferral'. This change is positive, as 'payment holiday' could be misleading to a customer. All firms should be encouraged to use the phrase 'payment deferral' when implementing this guidance.
- Consideration needs to be given as to how insurer commission clawback will be dealt with during Covid-19, as this could have a negative effect on an intermediary's cash flow. We request that insurers defer commission clawbacks until at least three months (90 days) after a permanent premium reduction or partial refund has been processed by the insurer, or after policy cancellation. Mortgage intermediaries' income is transactional based and with mortgage pipeline volumes reduced due to Covid-19 this would help to ease uncertainty on expenditure in the coming months, until such a point when all product sales volumes have returned to more normal levels.

- There should be no insurer commission clawback if the customer/insurer temporarily amends cover due to Covid-19 related reasons i.e. if the risk profile of the consumer is reassessed. This links in with the above point. Also, this is sensible from an administrative view as if an insurer claws back commission following a pro-rata return premium and the customer in three months' time restores the cover, the intermediary would be paid a commission based on the additional premium. This avoids "pound swapping" between the insurer and intermediary and reduces the associated administrative costs for both parties.
- In addition, insurers should not clawback commission from the intermediary if the payments are deferred due to a customer experiencing Covid-19 related financial difficulties as the circumstances are different to a customer cancelling cover/their direct debit (when commission would usually be clawed back by the insurer).
- Greater clarity is needed on whether if the customer takes a payment deferral, the cover will remain in force with no changes to sums insured and policy coverage. Some protection providers will already allow a payment deferral but will reduce or temporarily cease cover until the payment deferral ends. AMI's policy view is that if a payment deferral period is agreed, cover should be maintained on the same basis that was in force prior to the deferral. We have communicated with the ABI to discuss this.
- Insurers need to ensure there is clear communication with policyholders as to how the customer will pay back the deferred premium. We note that the FCA guidance states "*we expect firms to use the deferral period to engage with their customers to understand the likelihood of their being able to resume payments at the end of the deferral period*" but firms need to give due consideration to how it may be unreasonable to request the deferred premiums to be paid back by the customer in one payment, as this is likely to worsen a customer's financial difficulties. The work being done in the mortgage sector on this should be carried across to this area.
- "*Where the firm has reasonable basis for knowing, or has identified (or should reasonably have identified) that there are customers who are suffering financial distress (eg, those who have missed payments during the crisis period), even where those customers have not contacted the firm*" – clarification is needed on whether this responsibility lies with the insurer or the intermediary. Insurers need to provide prompt updates to an intermediary on direct debit cancellations and this should be provided at the start of each week. This will allow intermediaries to proactively contact their customers to discuss their individual circumstances and what options are available.
- There are products which have a brand owner; underwriter and premium finance. In these circumstances, the guidance should ensure that one party takes overall responsibility for "owning" the application of this guidance,
- Where insurers communicate solutions to assist those in temporary financial difficulty, this also must be communicated promptly through their intermediated distribution channels.