

ARTICLE FOR BROKER WORLD
IMSA PRINCIPLE 5 - COMPLAINTS

IMSA – the Insurance Marketplace Standards Association – grows more real every week, as more companies complete the requirements for membership. For several months, this column has been looking at each of the six principles to better understand the impact of IMSA to the future of agents.

Our previous discussions focused on the appointment and sales process. This month we take a look at a segment of customer contact that may not have involved the initial sale. Either as a result of the sale or of post-sale service, a complaint has been received. Principle 5 looks at how that complaint is dealt with.

Principle 5 states that **each life insurance company subscribing to these principles commits itself in all matters affecting the sale of individually-sold life and annuity products:**

To provide for fair and expeditious handling of customer complaints and disputes.

First, we should define what constitutes a complaint. IMSA provides that definition for us, as it has defined more than 60 words or phrases in order that every member company will use a similar definition.

A complaint is defined as *a written or documented verbal communication received by an insurer or its representative which primarily expresses a*

grievance. This definition goes beyond what has been generally determined to be the definition used by state regulators. States usually recognize only written complaints. However, the intent of Principle 5 is to acknowledge that with technology continuing to expand our abilities, many companies use message recording (*documented verbal communication*) as a means of receiving complaints.

The other important issue raised by Principle 5 is that complaints expressed to agents must also be recognized and dealt with as complaints. While this has been a requirement of complaint handling for many years, IMSA brings focus to the importance of the agent in the complaint resolution process. Remembering my many years in life insurance sales, I would like to believe that none of my policyholders ever voiced a complaint to me about my services. Each of us can easily rationalize that our customers do not complain - they express a difference of opinion. A quick reality check, though, might tell us that - while we are reluctant to acknowledge it - our customer may be complaining to us about our product, our sales approach, or our service. If that is the case, Principle 5 is intended to see that agents, agencies and companies have processes in place to record and handle those complaints.

Question 5.1 *Does the company have policies and procedures for complaint handling that provide reasonable assurance of compliance with laws and regulations?*

Said another way, “Does the company and its agents know the requirements, and do they meet them?” Are agents trained on how to handle complaints

received in the field? Are those complaints communicated to someone in the home office, and does that person know how to deal with them? Are laws reviewed to be certain that procedures for complaint-handling remain in compliance?

Companies are encouraged to look beyond the law in helping their customers resolve issues of concern. Agents must be instructed about the complaint process, and laws and regulations must continually be reviewed to confirm that both company and field practices regarding complaints remain current.

Question 5.2 *Does the company provide an easily accessible way for customers to communicate complaints?*

Being prepared to handle a complaint is of little value if the customer is not aware of how to then voice that complaint. While this may seem almost too simple to be made a requirement, many companies do a poor job of communicating with customers.

Because IMSA requires that companies demonstrate ways in which customers may contact the agent or company, many new and better methods for client contact are in use today. Most companies have a toll-free telephone number for customers. Policy delivery packets often include a cover page about “how to complain.” Internet sites encourage email responses. Use of fax, and even capability for

hearing-impaired customers, has been greatly expanded within our industry. Extended service hours and after-hours voice mail can accommodate our customers who are not able to contact the office during regular business hours. All of these provide access for customers to the complaint process.

Question 5.3 Are the policies and procedures designed to reasonably assure that the complaint information gathered is being used to act upon customer complaints and to analyze and eliminate their root causes?

Companies generally have done a good job of handling complaints and many have worked diligently at finding ways to stay in contact with customers, allowing them to complain if there is an appropriate reason for doing so.

However, the industry has not done a good job of analyzing, and reacting to, the reasons our customers complain. This question requires that processes be in place to analyze the nature of complaints received. Companies are encouraged to study these complaints for root causes and trending, and to put into place ways to reduce future complaints stemming from similar roots. The intent is that our industry will improve from our mistakes.

Question 5.4 *Does the company have policies and procedures to reasonably assure that it makes good faith efforts to resolve complaints and disputes?*

This final question dealing with complaints is searching for practical alternatives to our customers. Sometimes, they believe they are forced into a lawsuit because no one was willing to take the time to listen to them, or to assist them, or to allow them to appeal. Question 5.4 suggests that there should be alternatives available so that an answer of “no” provided at a clerical or even at an agent level may be appealed to someone with the authority to “step outside the box” in searching for a solution.

Some companies have instituted a formal appeals process such as an alternative dispute resolution like arbitration. Other companies have built a management-level appeal into the complaint process. Whatever the solution for any particular company, it is important that our customers feel that they are given the opportunity to be heard.

The requirements of Principle 5 are perhaps the easiest of the six principles for insurance companies, and for agents, to meet. However, if ignored, this principle is also the most likely to cause repercussions from our customers and from the courts. Most of the burden for Principle 5 is placed with the company, but there

is still a clear responsibility for agents to be aware of, and respond to, complaints they receive.

At a minimum, complaints should be forwarded to the company for two very good reasons. As an agent for the company, state insurance regulation requires it.

Second, in this litigious society, many Errors and Omissions coverages require prompt reporting before they will provide protection.

The next article will discuss Principle 6 - Supervision. This one, particularly for companies involved in brokerage, seems to be an obstacle to membership.

However, in practice, complying may be much simpler than it appears.