



How clear are your policy wordings?

An academic study into the readability of insurance policy wordings by the University of Nottingham in collaboration with Browne Jacobson

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Executive summary

In 2018, the University of Nottingham, in collaboration with Browne Jacobson, published the findings of a detailed academic study into the readability of insurance policies, with some fascinating results.

The main findings from the study are that:

- all policies reviewed required education to at least **A-level** (and in most cases **graduate** or **postgraduate** level) in order to be meaningfully understood;
- policyholders routinely find it difficult to understand what is and what is not covered, when given real-life scenarios (comprehension ranged from **between 32% and 66%**);
- the least-readable policy that was tested could only be meaningfully understood by **13.4% of the UK adult population**.

The study firmly indicates that the high reading age (the estimate of number of years of formal education required to understand a text) of the policies has a material impact upon a policyholder's understanding of the cover.

However, the study also revealed that by applying the drafting methodologies summarised in this report, it is possible to significantly improve the readability of policy wordings and to improve comprehension. For example, it was possible to reduce the reading age of one policy by **10 years** from **doctorate** level to that of a **Year 8 pupil** (i.e. a 12-to 13-year-old). This increased the estimated percentage of the UK population that could

understand the policy by some 75%, **from 13.4% to 89%** (an increase of **40.4 million** people).

Overall, the study shows that much can be done to improve the readability of policy wordings, and that there are significant benefits for those insurers that do so. It will be interesting to see how the market responds to increased knowledge about how individuals read and understand policy wordings.



Foreword

As lawyers specialising in policy drafting, we have often felt that whilst the UK leads the world as a global insurance marketplace, the quality and clarity of many wordings in the market could be significantly improved upon.

For insurers, the benefits of clear policy wordings seem obvious; a wording that is easy to understand should be:

1. easier to enforce;
2. easier to sell; and
3. less likely to lead to regulatory difficulties.

Many insurers and intermediaries pride themselves on providing insurance policy wordings that are clear, or in 'plain English'. However, what does that actually mean?

I am delighted to have had the opportunity to work with the University of Nottingham to understand scientifically what makes a policy

wording easier to understand (and what impedes understanding) and to discuss those findings with key market participants.

I hope you find the results of the study as insightful as we do. If you would like to discuss the findings in more detail, or are interested in how the findings might affect your wordings, please do get in touch.



Tim Johnson
Partner
Browne Jacobson

As linguistics researchers with 20 years' experience collaborating with industry, we fully appreciate how sociolinguistics provides vital information on how members of the public use and interpret language depending upon their levels of education, literacy, age, gender, ethnicity and social class.

This is of crucial importance when considering consumer-facing documentation in general, and it is of particular importance to the insurance sector, in order to avoid regulatory problems and a lack of policy enforceability.

It has been a pleasure to collaborate with Browne Jacobson to witness how dramatically a policy's readability can be improved by changing wordings, phrases and grammatical structures, which have been shown to be difficult to understand and interpret.

About the study and roundtable discussion

The University of Nottingham's leading linguistics researchers, in collaboration with Browne Jacobson's market-leading insurance policy drafting team, have completed a unique academic study into the readability of insurance policies, with some very interesting findings.

It has been a pleasure working with the University of Nottingham on this truly innovative and refreshing study. The findings of the study were discussed at a roundtable event held at Browne Jacobson's London office on 13 March 2018.

We would like to thank each of the participants at the roundtable, who all contributed to a lively and fascinating discussion. The event was very ably chaired by Alison Colver, Head of Wordings for the Lloyd's Market Association. We are particularly grateful for her involvement and support of this project.

This research was led by Dr. Kathy Conklin, Associate Professor of Psycholinguistics, with Dr. Fabio Parente, Post-Doctoral Research Assistant. The project's Co-Investigators were Dr. Richard Hyde, Associate Professor in Law, and Professor Louise Mullany, Professor of Sociolinguistics.

The Browne Jacobson contributors were Tim Johnson, Partner, Rachael Davey, Associate and Katie Carney, Trainee Wordings Technician.

This report provides a summary of the study and of the discussion at the roundtable event. It is provided for information purposes only and does not constitute legal advice.

Finally, we would like to highlight that an organisation's participation in the roundtable should not be interpreted to mean that their wordings were analysed as part of the study. All policy wordings were completely anonymised before being tested by the University of Nottingham.

“I am delighted to see the fruits of this excellent collaboration between the University of Nottingham and Browne Jacobson LLP. The results of this partnership, with the development of a novel and innovative methodology for enhancing the readability of contracts, shows the value of collaborative working between Browne Jacobson's leading insurance practitioners and the University's linguistic experts. This is just the start of an ongoing partnership in this area with huge potential benefits of the research to both insurers and to buyers of insurance.”

Professor Jeremy Gregory, Pro-Vice-Chancellor, Faculty of Arts

Attendees

Name	Position and company
Alison Colver (Chair)	Head of Wordings Lloyd's Market Association
Joseph Ahern	Policy Advisor Association of British Insurers
Martin Bridges	Technical Services Manager British Insurance Brokers Association
Stuart Clarke	Head of Technical Claims and member of Core Wordings Group Hiscox Insurance Company Ltd
Jane Comerford	General Manager Managing General Agents Association (MGAA)
Claudia Goodridge	Technical Wordings Manager Hiscox Insurance Company Ltd
Dr. Richard Hyde	Associate Professor in Law University of Nottingham
Tim Johnson	Partner Browne Jacobson
Francis Mackie	Partner Browne Jacobson
Ashwin Mistry OBE	Chairman Brokerbilty
Professor Louise Mullany	Founder and Director of Linguistic Profiling for Professionals (LiPP) and Professor of Sociolinguistics in the School of English at the University of Nottingham
Ian Powell	Wordings Manager, Markel International Member of the LMA Wordings Forum Steering Committee and the Consumer Working Party
Martin Roberts	Head of Wordings, Liberty Specialty Markets Deputy Chair of the LMA Wordings Forum and Chair of Consumer Working Party
Mike Smith	Head of Contract Wording Underwriting, Brit Insurance Chair of LMA Binding Authority Wordings Group

Readability levels in the UK

With literacy skills in the UK predicted to decrease over time (OECD 2016), an increasing number of the UK adult population will struggle to read and understand insurance policy documents. It is therefore important for insurers to make sure their policy drafting takes into account the changing landscape of British literacy skills.

“Statistics on literary skills in England and Northern Ireland evidence that only 13.4% of the population would be able to easily read the policies that were included in the research project.”

University of Nottingham (based on figures from the Organisation for Economic Cooperation and Development 2016)

“People that are retiring have a higher level of literacy than that of the 18-to-24-year-old group, who are now obviously coming into the workplace and working for a variety of different organisations... so it’s a significant problem.”

**Professor Louise Mullany,
University of Nottingham**

- 1 in 7 adults in England (5.1 million people) are ‘functionally illiterate’. They would not pass an English GCSE and have literacy levels at or below those expected of an 11-year-old (National Literacy Trust 2017);
- 1 in 20 adults have the reading age of a 5-year-old (Joseph Rowntree Foundation 2016);
- For the purposes of context, it is worth noting that The Guardian has a reading age of 14 and The Sun has a reading age of 8*;
- England has the lowest levels of literacy in the developed world. England has three times as many low-skilled 16-to-19-year-olds as top-performing countries such as Finland, Japan, South Korea and the Netherlands (Organisation for Economic Cooperation and Development 2016).

The participants in the roundtable discussion were generally surprised at the low level of literacy in England, in particular that 1 in 20 adults have the reading age of a 5-year-old and that literacy levels are lower here than in the rest of the developed world.

The general feeling during the discussion was that it would be impossible to draft a policy that could be easily understood by a 5-year-old and that there must therefore be a limit on what is achievable (or indeed desirable).

However, there was a consensus that the current level of complexity of policy wordings is not suitable, particularly in the consumer market.

Linguistic research shows clearly that literacy levels in England are steadily declining, so this is an issue that is only going to get worse in the short and medium term at the very least.

**<http://www.see-a-voice.org/>*

The legal and regulatory backdrop

Most insurers pride themselves on the readability of their policy wordings, with many claiming to draft their wordings in ‘plain English’. With the introduction of the FCA Consumer Duty, which includes a specific Customer Understanding obligation, product manufacturers are under a specific duty to ensure that policy wordings can be understood by their customers. This is a far cry from the previously held view regarding the approach to insurance policy drafting.

Regulators would surely have plenty to say if insurers still adopted this mind- set today. However, while the insurance industry has adopted a more consumer- focused approach, the findings of this study demonstrate that there remains a disparity between the views and intentions of insurers and the level of comprehension of their customers. The study shows that insurers’ wordings generally remain unintelligible to the vast majority (approximately 87%) of the UK adult population.

The results of the study, which are explored in more detail later on in this report, dispel the myth that insurance policies are inherently complicated in nature. The study clearly shows that there are practices that can be implemented to systematically and significantly increase the overall readability and understanding of policy documents. This directly results in a dramatic increase in the proportion of the UK adult population who are able to understand their insurance policies. Insurers can use those practices to reduce the reading age of their wordings and evidence compliance with the Consumer Duty.

“There is no requirement that an insurance policy is reasonably intelligible in terms of content and there is no requirement that it be especially legible.”

**Birds’ Modern Insurance Law,
6th Ed 2004**



Why does readability of insurance contracts matter?

Insurers are subject to a number of regulatory requirements, which include the need to provide their customers with clear information about their policy cover. We have set out below some of the relevant principles.

Consumer Duty

The FCA Consumer Duty includes a specific Customer Understanding objective, under which firms must be able to provide evidence that they have taken steps to ensure their customers can understand the products they are buying. Failure to do so can result in regulatory consequences.

Principles for Business and Treating Customers Fairly

All businesses regulated by the Financial Conduct Authority (i.e. all UK-based insurers) must comply with the 11 Principles of Business, including:

- **Principle 6:** *“A firm must pay due regard to the interests of its customers and treat them fairly”;*
- **Principle 7:** *“A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading”.*

Regulated businesses must also have regard to the Treating Customers Fairly Consumer Outcomes, including:

- **Outcome 3:** *“Consumers are provided with clear information and kept appropriately informed before, during and after the point of sale”;*
- **Outcome 5:** *“Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect”.*

It is difficult to see how an insurer could comply with these Principles and Outcomes if its policy documents are so complicated that the vast majority of the population cannot meaningfully understand them. Taking Consumer Outcome 5 as an example, how can a product perform as policyholders have been led to believe if the policyholder cannot properly understand the cover?

The appropriate information rule: ICOBS rule 6.1.6

In addition to the Principles and the Consumer Outcomes, the FCA requires insurers to provide appropriate information in good time and in a comprehensible form, so customers can make an informed decision about a policy. There is no definition of ‘comprehensible’ but we envisage the findings of this study will give rise to questions over whether the current approach to policy drafting will remain sufficient for insurers to demonstrate compliance with their obligations.

It is essential that all documents provided by insurers throughout the sales journey are comprehensible, and not just the policy wording itself. Although this academic study looked specifically at policy wordings, its findings apply equally to all policyholder-facing communications.

A breach of any of these obligations could, in a worst-case scenario, result in regulatory intervention, which ultimately may lead to the service of final notices and levying of fines by the FCA. Not only would this have a direct financial impact on the business, it could also significantly harm an insurer’s reputation.

Any ambiguity will usually be interpreted in favour of policyholders

Contract law – the principle of contra proferentem

The contra proferentem rule states that where there is doubt about the meaning of a contract that has been entered into on one of the parties’ standard terms (which includes most insurance contracts), the words will be construed against the person who proposed them (i.e. the insurer). The words are given their ordinary and natural meaning unless defined or another meaning is required to make commercial sense of the contract. Any ambiguity will usually be interpreted in favour of policyholders and can result in substantial losses for insurers, increased costs in handling policy disputes, poor (or perceived poor) client service and regulatory intervention.

In addition, consumer insurance contracts must be expressed in plain and intelligible language to comply with the requirements of the Consumer Rights Act 2015.

The findings of this study demonstrate that insurers can structure their policies in a way that will minimise policyholder misinterpretation and reduce the number of challenges received. This in turn is likely to lead to a reduction in policy disputes and ultimately increased confidence in the insurance industry as a whole.

Study objectives and methodology

Phase 1: The research

With funding from the University of Nottingham Hermes Fellowship for Business Engagement, Higher Education Innovation Fund and the EU, the University of Nottingham designed and conducted research that examined the readability of buildings and contents insurance policies, each with broadly equivalent cover, targeted at the SME market. The policies were selected and anonymised by Browne Jacobson and represented a cross-section of different drafting styles and techniques used in the market. The researchers were not aware of the identity of the insurers. The majority of participants held senior positions within SMEs and had purchased insurance policies during the preceding three years.

The research involved a number of different methods of analysing the policies, including:

- analysing the reading score and ascertaining the educational level required to be an effective, competent reader of each policy document;
- identification of the lowest-frequency words in each policy;
- analysing the comprehension difficulty of each policy by testing the participants' understanding of the cover;
- use of cutting-edge eye-tracking technology to understand how the participants actually read the policy documents in practice.

Reading scores

The policies were analysed to assess the reading age needed to meaningfully understand them. Tests which measure how easy it is to read a particular text often take word and sentence length as a benchmark. The assumption is usually made that the shorter the sentence and the shorter the words contained in it, the easier it is to read a text. Reading score research usually involves just one reading score. However, in order to provide more accurate and useful findings, the University instead applied seven of the most widely used readability metrics to come to an overall readability estimate for each policy.

A readability score assesses whether a policy is likely to be difficult to read overall and therefore it can be a helpful diagnostic tool in understanding whether a policy is generally capable of being understood and, if so, by what percentage of the population.

However, although reading scores are an extremely useful indicator of a document's readability, they produce readability estimates taking only factors such as word and sentence length into account. The researchers at the University therefore supplemented the reading score analysis with additional analytical measures.

Corpus linguistics

The research team used corpus linguistics to identify words that participants were likely to find difficult to understand. They employed substantial databases of everyday language use and calculated the frequency with which particular words appear in contexts with which the reader will be familiar. Using this analysis, words that are uncommon, and therefore unfamiliar and least likely to be understood, can be accurately pinpointed.

“Words that I’d assume that people should know... this study is really reminding me that they don’t...”

Stuart Clarke, Hiscox

Comprehension surveys

Participants in the study were asked a number of simple comprehension questions about the policies in order to ascertain whether they actually understood the cover provided by them. The participants were posed a variety of hypothetical situations and asked whether the relevant policy provided cover.

For each question, the participants were asked to rank how confident they were in their answer, which enabled the researchers to eliminate educated guesses. The results of the comprehension surveys identified areas where the participants struggled to understand the cover, even if they managed to correctly identify the effect of the clause.

Ultimately, comprehension is the key measure for insurers, who will want to ensure that policyholders actually understand the cover (and exclusions).

Eye-tracking technology

The researchers additionally used eye-tracking technology to understand exactly how each text was read by the participants. This sophisticated technology pinpoints precisely where the eye focuses every 1/1000th of a second. This was used to identify words and phrases that received a significantly greater amount of attention than would be expected, purely on the basis of their length or rarity. It also identified words that were skipped entirely by the participants.

With this data, it is possible to identify language processing 'bottlenecks' where participants had to stop and spend much longer than expected trying to understand the text. The research team was able to study the 'bottlenecks' and use this to infer what key words, phrases and language constructions were particularly difficult to understand.



Results

“A lot of the wording [in the market] is prehistoric, corporate riddles which Tolkien would have been happy with.”

Stuart Clarke, Hiscox

“What is the intention? What does the customer think he’s buying vs what we’re actually selling?”

Ashwin Mistry, Brokerbilty

Phase 1: The results

Reading age

The results of the study revealed that all of the policies tested had sections that caused comprehension difficulties for the subjects and required participants to have at least A-level education to be easily read. Most of them were comprehensible only by graduates (and in one case, only by those with education at a doctorate level). Whilst most participants in the roundtable recognised the need to improve the readability of insurance policies, many were surprised at the results of the study and in particular at the level of education required to understand most wordings meaningfully.

Understanding the cover

In addition to the high reading age, the comprehension tests revealed the participants encountered difficulties in understanding the cover provided by the policies. When asked whether cover was provided in realistic claims scenarios, participants in the study only gave correct answers 66% of the time for the best-performing policy. Scores were as low as 32%

for the worst- performing policy. These results firmly indicate that the high reading age of the policies is not merely an academic issue; it has a material impact upon a policyholder’s understanding of the cover provided by the policy.

What factors contributed to these results?

The study revealed a number of drafting practices that routinely impede readability and comprehension, some of which are explored below.

Word ‘frequency’

The overuse of uncommon, or ‘low frequency’, words was a feature in all of the policies that were reviewed. Low-frequency words are those that readers would not expect to come across regularly in everyday reading. Such words generally took the participants much longer to read and required far more mental processing effort to understand, as identified by the eye- tracking. This, in turn, likely contributes to comprehension difficulties for participants and increasing the reading age required to understand the policy.

Policy tested	Readability score	Corresponding level of education required to read the policy easily
Policy 1	17.3 (most difficult to read)	Postgraduate
Policy 2	17	Postgraduate
Policy 3	14.5	Undergraduate
Policy 4	14	Undergraduate
Policy 5	10.9 (easiest to read)	A-level

Sentence Length and Structure

In addition to the use of low-frequency words, previous research suggests that sentence length and structure can also influence reading behaviour and comprehension. The human brain has constraints on how much information it can hold in working memory at any given moment, a principle that was clearly borne out in the study. All of the wordings that were analysed as part of the study included a number of very long sentences, which the participants found difficult to process and comprehend. While sentences should generally be kept as short as possible, there are likely other factors that make certain grammatical structures more difficult to process. Future research will need to investigate the impact that certain redrafting strategies – such as regular and more consistent signposting throughout a text – can have on readability.

Use of pronouns

As part of the study, the University looked closely at the use of pronouns (e.g. 'we' and 'you') in place of the noun itself ('insurer' and 'insured'). Each of the wordings was analysed twice, once in its original form and once with the nouns switched for pronouns (or vice versa for those wordings that used pronouns in their original form).

The study revealed that the use of pronouns can be marginally easier to understand for a policyholder. However, this is not a hard and fast rule as there were a number of instances of pronouns causing confusion and actually making certain clauses within the document more difficult to comprehend. This was particularly the case for certain definitions which themselves referred to other defined terms. The use of pronouns in these situations can make it difficult for a policyholder to understand which party is which.

Use of defined terms

All of the policies that were analysed used definitions for commonly used or technical terms, as is normal with almost all policies. The use of defined terms is clearly a very useful tool to ensure consistency of meaning throughout a policy and to reduce the overall length of clauses and the document as a whole.

However, simply defining a term does not necessarily aid understanding, and may actually inhibit it. Definitions that are remote from the clauses that they relate to may have been forgotten by readers by the time that they read a section, leading to confusion and a constant back and forth between the definitions and the corresponding clause. Comprehension is severely negatively impaired if readers are expected to retain multiple definitions in their mind whilst reading lengthy policy wordings.

The roundtable participants considered that definitions can be referred to more flexibly in a digital context, for example through the use of 'hover-over' definitions.

“You’re creating a picture of what people think they are getting and pulling the rug out from under them with the provisos... their mind goes ‘I thought I was getting this and now I don’t know what I’m getting’.”

Richard Hyde,
University of Nottingham



Once the initial test phase was completed, the research team made recommendations to the policy drafting team at Browne Jacobson. The drafting team then made changes to the two least readable policies to test whether readability could be increased by:

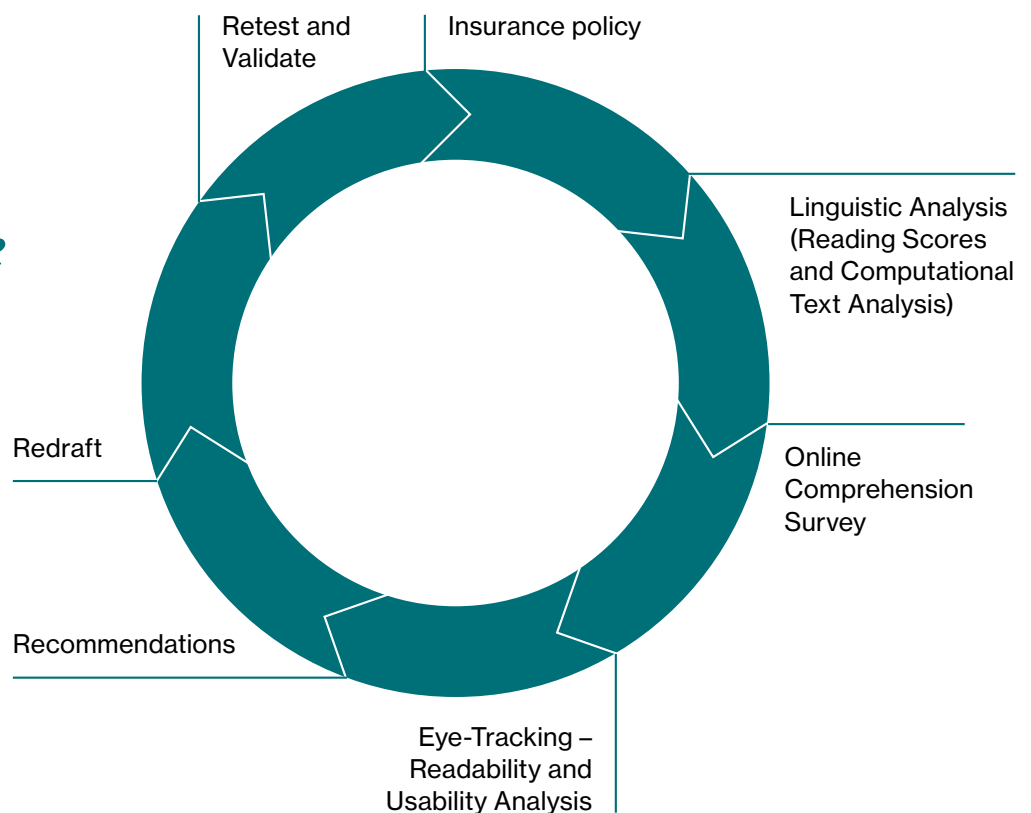
- reducing bottlenecks;
- restructuring complex sentences;
- using synonyms or paraphrasing complicated words or phrases;
- defining uncommon words.

Each of these techniques was implemented with the aim of increasing comprehension and reducing the reading score, i.e. reducing the educational level required to understand a policy.

By applying the research findings, it was possible to diagnose exact barriers to readability in a set of insurance policies. The policies were redrafted by Browne Jacobson's policy drafting team by adopting five key drafting principles for the two least readable policies and also by rewriting the least-readable wording from scratch. In each case, the scope of cover was retained exactly. The redrafted policies were submitted for repeat analysis in order to demonstrate what, if any, improvements to readability and comprehension could be made as a result of the intervention.

“A ‘hover-over’ definition does demystify the whole language beast.”

Ashwin Mistry, Brokerability



“We were surprised at the extent to which readability was improved. To knock 10 years of educational requirement off the wordings was certainly more than we expected.”

Tim Johnson, Browne Jacobson

Phase 2 results

Using drafting techniques drawn out from the research, it was possible to reduce the complexity of the least readable insurance policies from requiring a minimum of a postgraduate level of education, to the level expected of an average Year 8 pupil in the UK 12-13 year old. To put this in context, the complexity of the document was reduced from that of a scientific journal to a level

akin to the BBC website, whilst retaining exactly the same scope of cover. The upshot of the improvement in readability is that the percentage of the UK adult population that could meaningfully understand the policy increased by some 75.6%, from 13.4% to 89%.

The test data demonstrates how amending policies can significantly increase their readability.

Redrafted policy 1

Policy tested	Readability score	Corresponding level of education required to read the policy easily	Percentage of population of England that can fluently read the policy according to the report on literacy produced by OECD (2016)
Original	17.3	Postgraduate	13.4%
Minor amendments made to increase readability	11.52	Sixth form, Year 12 (approximately ages 17-18)	51%
Enhanced 'full' rewrite	7.32	Secondary school, Year 8 (approximately ages 12-13)	89%

Redrafted policy 2

Policy tested	Readability score	Corresponding level of education required to read the policy easily	Percentage of population of England that can fluently read the policy according to the report on literacy produced by OECD (2016)
Original	17.04	Postgraduate	13.4%
Minor amendments made to increase readability	6.72	Secondary school, Year 7 (approximately ages 11-12)	89%

Results (continued)

With each change made, the reading score reduces and the participants were able to better understand the policy. The strongest effect was discovered when the policy was redrafted from scratch, using the research outcomes. The upshot is that 89% of the UK adult population (approximately 47.5m people) would be able to read and understand the policy in its rewritten form, rather than 13.4% who could meaningfully understand the original. This represents an increase of 75.6%, or approximately 40.4 million people.

Additionally, by simply redrafting the policies on the basis of the five most common barriers to understanding, it was possible to lower the reading age of one policy from that of a postgraduate student to a sixth-form student, which increases the amount of the population able to understand the policy to 51% (or approximately 27.2 million people). The second policy that was redrafted to take the five most common barriers into account saw a similar improvement to the policy that was redrafted from scratch, i.e. an improvement to the readability by some 10 years (again, equating to c.75% of the UK adult population).

In addition to improving readability, the participants' ability to understand the cover (i.e. the comprehension test scores) was significantly higher for the redrafted policies than when the same questions were asked in respect of the corresponding original policies. Not only were the test scores improved, but the participants' confidence in the answers they gave also increased.

The general consensus amongst the participants in the roundtable discussion was one of surprise, both that such a dramatic reduction could be made to readability, but also that a policy could be drafted in terms that could be readily understood by a typical Year 8 pupil in the UK, whilst retaining the same cover. The participants were even more surprised that the improvement in readability in real terms meant that 75% of the UK adult population could understand the redrafted policy but not the original.

Perhaps surprisingly, some participants in the roundtable discussion felt that a document that is easier to read would not necessarily be easier to sell. However, other participants felt there would be a positive impact on sales by improving readability, particularly if policyholders could be persuaded to read a wording before making a decision to enter into the policy (which is arguably the bigger challenge in many cases).

There was a clear consensus, however, that the whole sales journey is very important, and the study's findings apply equally to all policyholder-facing communications. Indeed, other studies have also demonstrated consumer communication is a vital factor in determining whether policyholders will remain loyal to an insurer, with "81% of UK respondents highlighting this as important in their decision-making process"*.

All participants agreed that wordings which are harder to read and comprehend are more likely to result in coverage disputes and that improving readability would be likely to reap very tangible benefits in terms of reducing the number of disputes.

[*https://www.insurancetimes.co.uk/insurers-will-lose-customers-if-they-fail-to-improve-service-survey/1425059.article](https://www.insurancetimes.co.uk/insurers-will-lose-customers-if-they-fail-to-improve-service-survey/1425059.article)



Conclusion

The study shows that the readability and comprehension of insurance policies can be significantly improved by adopting specific drafting techniques. The possible improvements can have a significant real-world impact in terms of the numbers of policyholders who can meaningfully understand a wording and be able to correctly identify those situations where cover is granted and those where it is not.

The study also shows that, by improving readability, it is possible to increase the policyholders' confidence that they understand their cover. Ultimately, that means an increased level of confidence in the product they are buying: one of the main aims of any insurance policy.

Drafting a policy wording that is clear and easy to understand, whilst maintaining legal effectiveness and contract certainty, will always require skill and experience. There is no 'one-size-fits-all approach' to drafting wordings, which will always depend upon the nature of the product and the policyholder demographic.

However, the study does reveal a number of important considerations that can significantly increase the understanding and comprehension of any policy:

- 1. Structure** – the findings of the study are too detailed to set out here in full. By way of summary, however, paragraph and sentence structure is key;
- 2. Word frequency** – all policies included words that were not commonly used in everyday life. Whilst that is sometimes unavoidable, wherever possible any technical, legal or uncommon

words should be replaced with more frequently used synonyms and paraphrases, even if this increases the overall length of the policy. This was supported by the participants' perceptions (measured by the eye-tracking technology and comprehension questions);

- 3. Sentence length** – long sentences featured heavily in all of the wordings that were analysed. This can significantly impede comprehension. A larger number of shorter and more basic sentences is generally much more easy to understand, even if overall word count is increased as result;



4. Signposting – where an obligation, exclusion or write-back refers to a particular type of claim or loss, it is helpful to the reader to spell that out clearly. The study revealed this can significantly increase a policyholder’s ability to understand the practical effect of a clause. Remember, what may seem obvious to an insurer is not necessarily obvious to a policyholder;

5. Use and positioning of defined terms - the use of defined terms is critical to the way most policies operate. However, there is a clear drop-off in comprehension as the gap between where a word is used and where it is defined increases.

Care should be taken when considering the positioning of defined terms to ensure maximum impact. Utilising these rules as a minimum when drafting policy wordings will increase the proportion of the adult population who will be able to understand the policy terms. Policies drafted in this way may:

Having a policy which is easier to read may influence brokers to recommend an easily readable policy over a competitor’s product

- **be easier to sell.**
For direct consumers and brokers alike. Brokers are subject to ever-increasing obligations, including assisting consumers with their presentation obligations. Having a policy which is easier for their clients to read with respect to the scope of cover, may influence brokers to recommend an easily readable policy over a competitor’s product, even if the cover is equivalent;

- **reduce coverage disputes.**
The intention of the insurer will be communicated more effectively, leaving fewer clauses open to misinterpretation, and making them easier to defend in the event that a coverage decision is challenged;

- **reduce regulatory intervention.**
By taking care to ensure that policies are more easy to read and understand, insurers should find it easier to demonstrate compliance with their regulatory obligations, including the FCA Consumer Duty.

Overall, the results from this study demonstrate that insurance policies are not necessarily complicated by their very nature, and that steps can be taken to improve readability and comprehension significantly. It will be interesting to see how insurers respond to increased knowledge about how individuals read and understand their policy wordings.

“A summary. Clearer wordings: easier to enforce, easier to sell, less likely to lead to regulatory difficulties... A good idea from one end of the purchasing spectrum to the other. [the type of insurance] shouldn’t make any difference.”

Alison Colver, LMA

About the University of Nottingham and Linguistic Profiling for Professionals

The University of Nottingham is a world-leading, research-intensive university with campuses in the UK, Malaysia and China.

The University is consistently ranked in the global top 100 universities by the QS World University Rankings. It is committed to delivering research that transforms lives and societies. In the last Research Excellence Framework, three-quarters of our research had societal or economic impact classified as 'outstanding' or 'very considerable.'

Linguistic Profiling for Professionals (LiPP) is a dedicated business unit based in the Centre for Research in Applied Linguistics in the School of

English. Building upon over 20 years' experience of cutting-edge research in professional communication, it provides innovative consultancy, training and research.

Dr. Kathy Conklin is Associate Professor in Psycholinguistics with 20 years' experience of applying eye-tracking to reading. She co-authored 'Eye-tracking: A Guide for Applied Linguistics Research', recently published by Cambridge University Press. Dr. Fabio Parente is a postdoctoral researcher with

expertise in applying eye-tracking to reading. Dr. Richard Hyde is an Associate Professor in Law with an expertise in insurance regulation.

About Browne Jacobson

We are a leading UK law firm offering a unique collection of specialisms across the commercial insurance sector. We have offices in Birmingham, Dublin, Exeter, London, Manchester and Nottingham and are committed to being a quality, relationship-led business.

Unlike many of our competitors, we have a specialist team of lawyers who dedicate most or all of their professional time to the development of insurance policy documents, endorsements and other associated products and documentation for insurers, intermediaries and policyholders.

Our experienced team advise on and draft policy wordings and associated documents in all categories of insurance business, including marine, cyber, professional and management liability and private client.

We are routinely involved in the development of bespoke wordings for intermediary-led schemes in a wide range of sectors, including sports associations and governing

bodies, celebrity media protection and even bee-keepers' liability schemes. We have also drafted over 10,000 bespoke policy endorsements through our outsourced endorsement drafting service.

Our policy drafting products and services provide a cost-effective solution to ensure policies respond in the way that underwriters and brokers intend, whilst minimising the risk of regulatory intervention, unintended consequences and customer detriment. We offer a range of solutions from a simple health check of existing wordings through to fully outsourced endorsement drafting, and can tailor our products and packages to suit your individual needs.



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