OUTCOME 1: CULTURE

Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture

Senior management must establish the right culture to convert good intentions into fair outcomes for consumers. There are six areas of management behaviour that can influence a firm's culture of customer treatment:

Leadership: Leadership at all levels sets the tone of an organization, driving the behavior of staff and the quality of decisions. The Board, senior and middle management need to provide direction and monitor the delivery of TCF behaviours and outcomes. All managers should make clear in their practices and communication that the fair treatment of customers is fundamental to the firm's operation. TCF must be implemented in all business areas and this requires meaningful "top down" direction.

Strategy: Strategy sets the direction and priorities of the business and the focus for management. The TCF approach should be built into any strategic and business plans developed by senior management and should form an essential component of any strategic planning processes.

Decision-making: At all levels, decisions should reflect on the fair treatment of customers. Decision-making processes should ensure that decisions are tested from a TCF perspective.

Recruitment, training and competence: Staff selection should reflect the importance of customer treatment to the firm. Management should then train and maintain staff with knowledge, behaviour and values that accord with fair customer treatment.

Performance and Reward: An organization's approach to performance management and reward drives the behaviour of staff and enables management to assess the quality of the performance of an individual. The firm's reward framework such as incentives and bonuses should be transparent, recognize good quality and support the fair treatment of customers. The firm should not concentrate on sales, volumes and profit without considering quality and controls to mitigate this risky framework.

Governance and controls: The governance structures and control mechanisms within firms should be designed to create disciplines around TCF. For example, governance processes around product approval, distribution models, service standard setting, claims reviews and complaint escalations would all need to cater for TCF considerations. Monitoring the fair treatment of customers requires that relevant management information is identified, collected and evaluated. Controls are essential to satisfy managers that the firm is delivering fair outcomes for consumers.

It will also be necessary to develop appropriate Management Information and measurement systems to ensure that the success of a firm's TCF strategy can be measured and that TCF risks can be identified. A particular challenge is establishing internal reports that include the most useful information and indicators to allow the Board and Senior Management to measure the insurer's or intermediary's performance with respect to fair treatment of customers.

Mechanisms and controls should also be established to ensure that all departures from policies and procedures as well as all other situations that jeopardize the protection of the interests of customers are promptly remedied by decision makers.

Governance and control mechanisms will also need to be in place to ensure the firm's compliance with the explicit rules-based components of the TCF regulatory framework and to deliver any reports that may be required by IRA.

OUTCOME 3 – CLEAR AND APPROPRIATE INFORMATION

Insurers and intermediaries will promote products and services in a manner that is clear, fair and not misleading to customers.

Before an insurer or intermediary promotes an insurance product, reasonable steps should be taken to ensure that the information provided is accurate, clear and not misleading.

Procedures should provide for an independent review of advertising materials and other communications intended for customers other than by the person or organization that prepared or designed them. If, subsequently, an insurer or intermediary becomes aware that the information provided is not accurate and clear or is misleading, it should withdraw the information and notify any person that it knows to be relying on the information as soon as reasonably practicable.

The information provided should be easily understandable and be consistent with the result reasonably expected to be achieved by the majority of consumers of that product. The product should state prominently the basis for any claimed benefits and any significant limitations; and not hide, diminish or obscure important statements or warnings.

The right to complain including the arrangements for handling policyholders' complaints, which might include an insurer's internal claims dispute mechanism or the existence of an independent dispute resolution mechanism should be clearly stated.

Outcome 4 – Advice

Where customers receive advice before concluding an insurance contract, such advice is appropriate; taking into account the customer's disclosed circumstances.

Advice goes beyond the provision of product information and relates specifically to the provision of a recommendation on the appropriateness of a product to the disclosed needs of the customer. Insurers and intermediaries should seek the information from their customers that is appropriate for assessing their insurance needs, before giving advice or concluding a contract.

This information may differ depending on the type of product and may, for example, include information on the customer's: financial knowledge and experience, needs, priorities and circumstances, ability to afford the product and risk profile. In cases where advice would normally be expected and the customer chooses not to receive advice, it is advisable that the customer is required to sign an acknowledgment to this effect.

The supervisor may also wish to specify particular types of policies or customers for which advice is not expected to be given. Typically, this may include simple to understand products, products sold to customer groups that have expert knowledge of the type of product or, where relevant, mandated coverage for which there are no options.

The basis on which a recommendation is made should be explained and documented in a clear and accurate manner, comprehensible to the customer. Where investment advice is provided, this should be communicated on paper or another durable medium accessible to the customer and a record kept in a “client file”.

In addition, the insurer should also review its agents/ client files so that the insurer can exercise independent control after the fact on the quality of the advice given by its agents, take any necessary remedial measures with respect to the delivery of advice and, if applicable, be in a position to examine fairly any complaints submitted to it.

In order to ensure the delivery of quality advice, the insurer and intermediary should, in particular, establish continuous training programs that allows the persons giving advice to keep abreast of market trends, economic conditions, innovations and modifications made to the products and services; There should be maintenance of appropriate levels of knowledge about the industry segment, including the characteristics and risks of the products and services;

Training should allow for knowledge on the applicable legal and regulatory requirements. Advisers should know the requirements and be familiar with the documentation regarding various products and services and answer reasonably foreseeable questions. They should appropriately disclose any situation likely to compromise the impartiality of the advice given or limit such advice.

OUTCOME 6 -Claims & Complaints Handling

Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint

Claims Handling:

Insurers should have fair and transparent claims handling and claims dispute resolution procedures in place. They should maintain written documentation on their claims handling procedures, which include all steps from the claim being raised to its settlement. Such documentation may include expected timeframes for these steps. Claimants should be informed about procedures, formalities and common timeframes for claims settlement.

Claimants should be given information about the status of their claim in a timely and fair manner. Claim-determinative factors such as depreciations, discounting or negligence should be illustrated and explained in comprehensive language. The same applies where claims are denied in whole or in part.

A fair claims assessment requires appropriate competence of insurers' and – where applicable intermediaries' staff who is involved in claims settlement procedures. Competence requirements for claims assessment differ depending on the type of insurance policy and generally include technical and legal expertise.

Claims Disputes

A complaint can be defined as an expression of dissatisfaction about the service provided by an insurer or intermediary. An accumulation of complaints against insurers or intermediaries indicates possible grievances in certain areas. Therefore, the ongoing analysis of policyholders' complaints is a key indicator for the quality of an insurer's or an intermediary's conduct of business.

Proper policies and procedures should be in place and would include record keeping for each complaint and the measures taken for its resolution. Claims Redress Committee acting as an appellate body within the insurer should be in place to promote fair play and objectivity in the decisions.

Staff handling claims disputes should be experienced in claims handling and be appropriately qualified. Dispute resolution procedures should follow a balanced approach, bearing in mind the legitimate interests of all parties involved. Decisions should include the reasoning in clear language relating closely to the specific disputable issues.