

Treating Customers Fairly (TCF) Model of Consumer Protection

Presented by;

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Agenda

- Regulatory framework for CP
- What is TCF?
- TCF outcomes
- IRA's stance on TCF
- What you should do
- Conclusion

Regulatory framework for CP

Constitution of Kenya

- Article 46 (consumer rights)
- Article 35 (right to information)
- Article 47 (fair administrative procedure)
- Article 22 (enforcement of bill of rights)

Consumer Protection

- Section 3 (4) on purpose of the Act:
- Promoting fair and ethical business practices
 - Protecting consumers from improper trade practices
 - Improving consumer awareness and informed consumer choices and behavior
 - Promoting consumer confidence and empowerment

Insurance

The provisions run through the Act including:

- 3, mandate
- 5, contracts
- 74 & 75, rates
- 76, right to pay
- 77, default
- 80, policy docs
- 87, cooling off
- 114, T & A
- 120, winding up
- 156, premiums
- 164, adverts
- 179, PCF
- 196A, register
- 203, claims

Competition

- One of the objectives of the Act is to protect consumers from unfair and misleading market conduct.
- Creates the following offences:
 - = False and misleading representations
 - = Unconscionable conduct in business practices

What is TCF?

TCF is an ***outcome based*** regulatory approach that seeks to ensure that specific and clearly articulated fairness outcomes for customers are delivered by regulated entities.



TCF Evidence .. Evidence

The approach requires regulated entities to demonstrate with *EVIDENCE* fair treatment of their customers at all stages of their relationship from product design and marketing, through to the advice before point-of-sale, at the point-of-sale and after-sale stages.

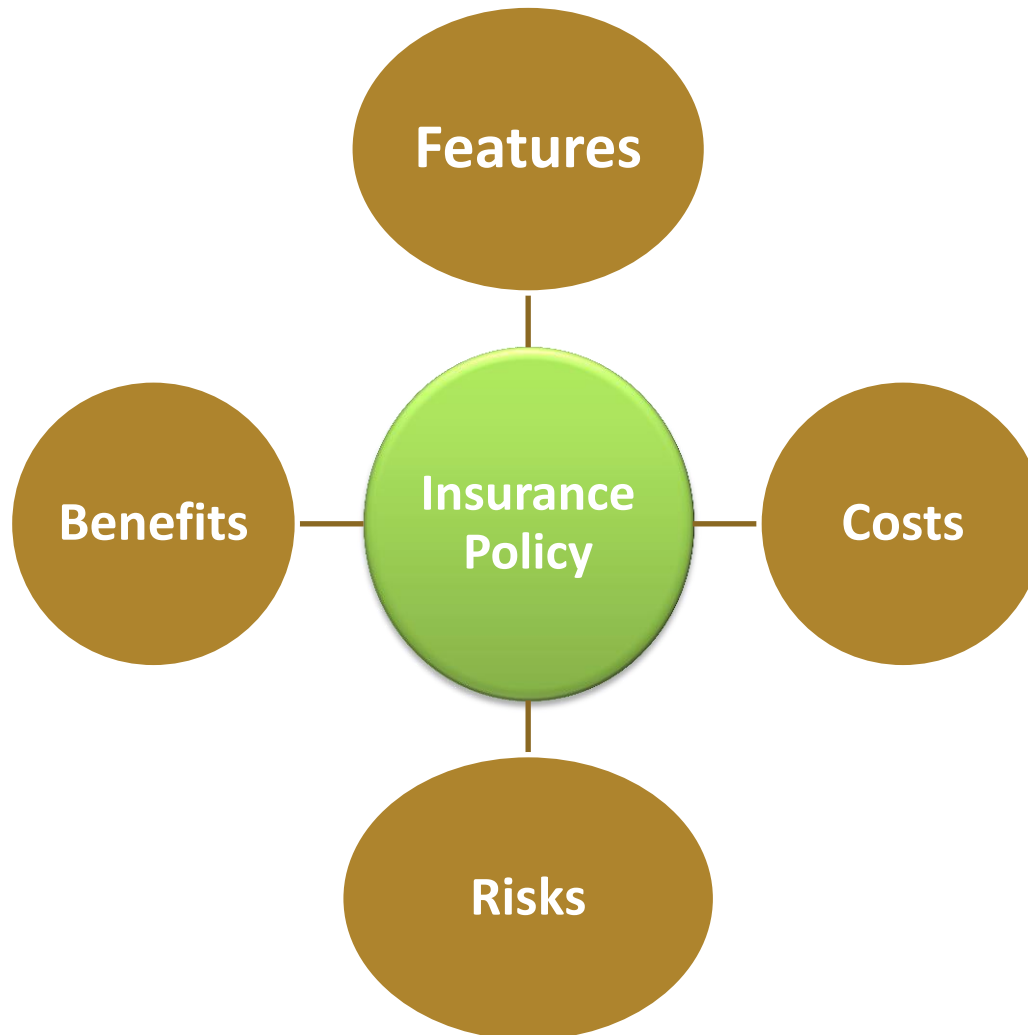
TCF....understanding

**TCF ensures customers fully
understand the**

- **features**
- **benefits**
- **risks and**
- **costs of**

the insurance products they buy.

TCF ensures that customers fully understand



Prevents miss- selling and encourages best business practices

- **before,**
- **during and**
- **after product sales.**

TCF Outcomes.

Outcome 1. Corporate Culture

Outcome 2. Product design and marketing

Outcome 3. Clear information

Outcome 4. Advice.

Outcome 5. Performance & Expectation

.

Outcome 6. Claims and complaints handling

Outcome 1

- 1. Customers are confident that they are dealing with firms where TCF is central to the firms culture*
- **TCF objectives adopted by the Board, Senior Management & Staff.**
 - **Senior management have conducted a review of main business processes to identify areas requiring improved TCF outcomes.**
 - **A process for assessing staff and management understanding of TCF.**
 - **Process in place to identify and report TCF risks or failures to management and board.**

Outcome 2

2. Product and services marketed and sold are designed to meet the needs of identified customer groups .

- Obtain information from the product supplier regarding the consumer groups the product suits.
- Track sales to determine whether products are in fact sold to identified customer groups
- Monitor complaints and communicate them to the product supplier.
- Have measures to evaluate the customer group's understanding of products or services offered or provided to them.

Outcome 3

3. Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.

- **Assess the clarity, appropriateness and fairness of product information provided to customers.**
- **Test product information for its clarity with the target audience before issuing the product.**
- **Have a process in place to rectify situations where any product information already in circulation is inaccurate, unclear, unfair or misleading.**
- **Maintain accurate, retrievable and secure records of all product information you have provided to customers or any other material interaction.**

Outcome 4

4. *Where customers receive advice, the advice is suitable and takes account of their circumstances.*

- Assess whether you have the **appropriate skills** and business processes in place to provide advice and service that will be suitable for the target market and product concerned.
- Insist that product suppliers provide your representatives with **adequate training** on the specific products you market to enable them to provide suitable advice on those products
- Provide product suppliers with **feedback** in relation to any aspects of their products or services which inhibit your ability to provide suitable advice.
- A policy in place for **fair compensation** of customers who have been financially prejudiced as a result of inappropriate advice provided by your representatives

Outcome 5

5. Customers are provided with products that perform as we have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect

- We have clear service standards in place for customer service processes and communicate these to our customers .
- We test our service standards to determine whether they are in line with customer expectations
- Processes are in place to scan the environment and mitigate risks that could impact on the extent to which products will meet customers' reasonable expectations .
- Processes are in place to mitigate the risks to our customers where it becomes apparent that products are not performing or are unlikely to perform as they have been led to expect

Outcome 6

6. Customers do not face unreasonable post-sale barriers to change product, switch provider, submit a claim or make a complaint.

- **Inform customers of the types of changes they may make to their products if their needs or circumstances change and of any important limitations on their ability to access funds or make changes .**
- **Inform customers of how to submit a claim and what information will be required to process the claim.**
- **Honour representations, assurances and promises that lead to legitimate customer expectations.**
- **Identify common underlying causes of complaints and take action to eliminate the root cause.**
- **Test your complaints and claims process to ensure it is accessible and appropriate for your customer groups.**

TCF Evidence that..

- 1. Fair treatment of customers is at the centre of your operations;**
- 2. Products and services are matched to the target group.**
- 3. Clear product information is provided to customers**
- 4. Advice given is accurate and suitable in accordance with the circumstances of the customer;**
- 5. That promises conform to the product and service provided.**
- 6. Customers are facilitated when they intend to submit a claim or make a complaint.**

Desired TCF outcomes.

Immediate outcomes :

TCF culture,
Clear information,
Promise

Product design ,
Advice
Claims & complaints.

Intermediate outcomes

Improved customer confidence,
Appropriate products and services,
Enhanced transparency and discipline.

Final outcome

Sustainable industry where customer financial
services are met.

IRA's stance on TCF

- **Take TCF outcomes into account when considering complaints by consumers.**
- **Factor in the TCF returns during licensing.**
- **Include TCF in the current risk management framework and give it significant weighting in determining the risk rating of an institution.**

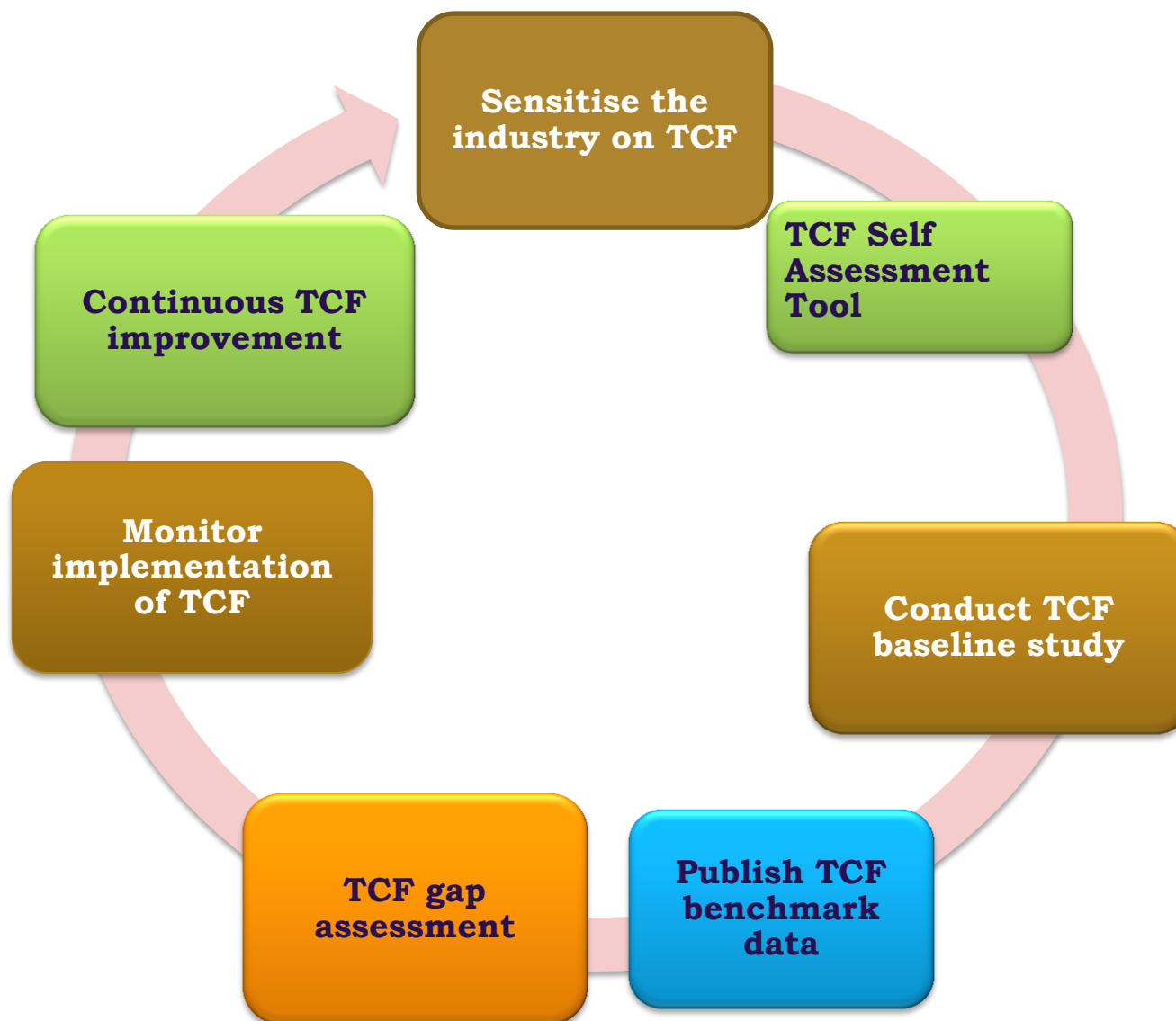
What you should do

- **Think about TCF in the context of your business.**
- **Conduct a self-assessment test to gauge where you are at in terms of TCF, to check what you do well and where you need to improve.**
- **Develop an appropriate TCF vision to create and sustain a customer centric business.**
- **Define in specific, clear and demonstrable terms what TCF means to your business.**

What you should do

- **In the same vein define what is unacceptable conduct in your business in relation to fair treatment of customers.**
- **Communicate your service standards to your clients, analyze and act on complaints for TCF purpose and view complaints as an opportunity to learn and improve.**
- **Have control measures to monitor TCF risks e.g. inaccurate or misleading advice by your representatives.**

TCF – the Roadmap



Conclusion

- **Treating customers fairly is the new normal for financial service providers globally.**
- **TCF is not a mere compliance exercise but a cultural shift in an industry's approach to treatment of customers.**
- **TCF requirements provide an opportunity to review the approach to managing customers – this leads to customer retention and **makes business sense!****

Thank You!



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