

Treating Customers Fairly A matter of transparency

In this article Conolly Tunnard, OAC Compliance Consultant, explores the issues of Treating Customers Fairly with protection-based contracts of insurance.

The issue of Treating Customers Fairly (TCF) in the health and care arena is one of transparency of the information given to the customer. Technical information about insurance and health issues has to be communicated to the customer in a way that meets the FSA's 'Six Outcomes' for TCF (see table opposite).

Whatever the product being sold, the principles of TCF remain the same and the outcomes required are those set out in the table. However, different products present different TCF challenges and it is this aspect on which I will concentrate in this article.

We all hear of the consumer horror stories when customers suddenly find they are not covered for a condition or for a certain set of circumstances by their policy, when they were of the view that they should have been. Alternatively, you get cases about pre-existing conditions not being declared, and the customers saying they were not aware of the condition(s) when the policy was taken out. Often these cases come to the fore because there was a basic misunderstanding on behalf of the customer as to what was covered. The adviser was of the view that the product features were properly explained, but it becomes apparent that either the facts and product features were not sufficiently well explained or not understood.

The problem is that, even if these cases are amicably resolved, the bad publicity can lead to reputational damage to the firm and the industry as a whole, until the position is reached that customers are reluctant to buy cover in the mistaken belief that firms will try to wriggle out of their obligations when it comes to a claim.

There is an argument that to overcome the problems of client misunderstanding the public needs to be better versed in the contents of financial instruments,

Table: FSA Six Outcomes for Treating Customers Fairly

Outcome 1: Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.
Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.
Outcome 3: Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.
Outcome 4: Where customers receive advice, the advice is suitable and takes account of their circumstances.
Outcome 5: Consumers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and as they have been led to expect.
Outcome 6: Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

including health and care products. This is undoubtedly the case; ignorance of what they are buying can lead the public into mis-buying. Whilst a solution lies in a better financially educated population, any hope that this knowledge asymmetry will be overcome any time in the near future is unrealistic. How do firms therefore seek to combat this thorny problem?

Use clear and transparent language

The most obvious answer would appear to be in achieving consistent

and clear communication about what the product being advised does and what it covers. This transparency of communication is key to achieving a better customer understanding of what is being bought, and therefore will lead to a reduction of unforeseen difficulties with the policy later on in its term.

Use of focus groups

The starting point in this communication is the production of clear and transparent product documentation. Information given to



the client has to be as short as possible whilst explaining all the features of the product. For instance, all issues about any exclusions or pre-existing conditions must be absolutely clear. All customer-facing documentation must be tested against a focus group drawn from the target market for the product and against the FSA standard that it be clear, fair and not misleading. The focus group should be used to test the understanding of the product by the 'man in the street'. If there are issues of understanding, there needs to be a re-write of the relevant parts of the document. This testing against a focus group is now expected by the FSA as a key stage in the development of products.

Be specific as to what is covered and what is not covered

Be specific as to what medical conditions are covered and what are not covered. This needs to be written in a style that can be understood by the average person and not in a form that can only be understood by a medical professional. It needs therefore to be as free from jargon as possible.

Any exclusions need to be absolutely clear, as do terms about any other limits such as those concerning hospital lists, treatment times and limits on cover. The issue of pre-existing conditions, what this means and how it could affect a claim also needs to be absolutely clear and not open to misinterpretation by the customer.

Firms that fail to provide information that is transparent and therefore clear to the customer run the increasing risk of a complaint going to the Financial Ombudsman Service (FOS) and being found against them. There is an increasing expectation by both the FSA and the FOS that product documentation will be clear and unambiguous, and the FSA is clear that it will act against documentation that is not fair, clear and not misleading.

Be specific on premium reviews

If the policy allows for premium reviews, any terms attaching to these reviews such as specific review dates and issues that can trigger a review must be clearly stated.

Good product training

One of the problems that can cause issues is a misinterpretation of product features by the adviser, and thus the customer can be given information that is contrary to the product documentation. This does come down to adviser product training. The product provider needs to develop product training material which explains the product in detail to the adviser. The FSA considers that there is now a duty of care on the provider to supply the adviser with training material to explain the product and to supply actual training if it is required. It is still the advisers' responsibility to understand the product being advised upon and not to advise on it if they do not understand it.

Another area where confusion can occur is when customers call for advice about their policies and are given information about the cover of those policies and then act on that information, which subsequently proves to be inaccurate. This does mean that all customer-facing personnel must have an understanding of the products, and there must be a watertight process that refers technical queries to a person with the right level of technical expertise.

Finally...

The FSA's view is that firms must communicate in a clear, fair and not misleading manner, and in order to achieve this outcome, firms must communicate in a wholly transparent manner. Firms would also do well to remember the standards required are dynamic, in that the FSA is always ratcheting up the standards, and thus raising the bar.

How can OAC help?

If you would like to discuss further any of the issues raised in this article, please contact me.

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