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The Consulta 2017 South African Customer Satisfaction Index (Sacsi) for life insurers, which measured overall customer satisfaction in the industry, revealed important insights about how providers are exceeding, or falling short of, customer expectations.

What constitutes FAIR TREATMENT?

The index establishes important benchmarks that can assist providers in improving service to succeed in today's highly competitive industry.

Sussing out distinct issues

However, drawing parallels with the customer perceptions revealed in the index, and the promotion of fair market conduct by the Financial Sector Conduct Authority (FSCA) through its Treating Customers Fairly (TCF) initiative, conflates two interrelated but completely distinct issues.

TCF is designed to ensure that regulated financial services providers deliver specific, clearly defined fair outcomes for their customers throughout the product lifecycle. This extends from product design, pricing and promotion, through advice and the delivery of their products and services, to complaints and claims handling.

Essentially, the implementation of TCF is primarily aimed at ensuring that financial services providers are as efficient as possible in their industry conduct.

As such, trying to reconcile these conduct requirements with the need to meet customer expectations can create a disconnect. Primarily because consumer perceptions may differ due to their understanding of what fair market conduct is.

Reconciling conduct requirements

For instance, fair market conduct on the part of a life insurer pertains, first and foremost, to paying all valid claims. This is a contractual obligation and the bare minimum industry standard mandated by the Long Term Insurance Act (LTIA). However, insurers are also within their rights to decline non-valid claims. Good governance guidelines such as TCF dictate that insurers must process and deliberate all claims fairly based on the conditions stated in the policy, using established procedures to arrive at the best outcome for both the insurer and the policyholder.

When this process results in a claim being invalidated and a pay-out declined, or when only a partial payment is made, customers may perceive this as unfair treatment, even if the process adheres to the FSCA's industry conduct standards.

Fair market conduct also includes other elements such as fair pricing and transparent fees. As such, an insurer's profit margins should be reasonable, and costs should also be reflective – they should not be inflated due to inefficiencies that are passed on to customers.

Accordingly, failing to make a distinction between unjustified or unrealistic expectations and realised outcomes can widen the perception gap. The onus is therefore on the industry to ensure their customers understand what constitutes fair treatment.

By ensuring the use of clear, relevant and truthful messaging in marketing and sales, and promoting greater transparency regarding pricing and fees, TCF will help to set more realistic expectations among consumers. Furthermore, once all the fundamental elements that relate to treating customers fairly are implemented, perceptions will begin to shift organically as expectations are increasingly met.

The perception needs to change

However, this outcome will only be achieved when customers take the time to understand what it is they are buying and what exactly constitutes a valid claim. Without fostering a better understanding of the products and services agreed to in a policy, the risk that life insurers will continue to fall short of consumer expectations remains, even if they comply with TCF regulations.

There is also no guarantee that adhering to this regulatory dispensation and demonstrating fair treatment will change how customers perceive the products and service they receive from their service provider.

However, that is the benefit of a free market. If a customer is unhappy, the customer can exercise his or her right to switch products or providers. This type of economic natural selection ensures that the few providers that have exploited ill-informed consumers in the past, are rooted out by the regulator.

As such, any perception out there that TCF has been implemented to reign in industry-wide exploitation, is unfounded and needs to change.

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